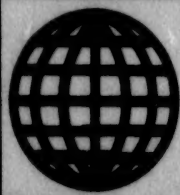


JPRS-CAR-94-012
16 February 1994



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

China

China

JPRS-CAR-94-012

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State Council Information Office Head Profiled

94CM0122A Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 255, 16 Dec 93
pp 26-29

[Report written by Li Kuo-chiang (2621 0948 1730) on 9 November 1993 in Xian, Shaanxi, interview at the State Council Information Office at the Olympic Games Village in Beijing on 8 November 1993 with State Council Information Office Director Zeng Jianhui (2582 1696 1798): "Help the World Understand China—Interview With PRC State Council Information Office Director Zeng Jianhui"]

[Text] China has entered an age of rapid growth.

China's every action and movement is increasingly becoming the focus of worldwide attention.

So to "help China understand the world, and the world to better comprehend China," a new department emerged in China three years ago, that is, the State Council Information Office—an agency to assist all major State Council departments in speaking for the State Council.

Zeng Jianhui: China's External Propaganda Official

Hong Kong and foreign reporters conducting interviews in mainland China have to maintain frequent contacts with this office.

In media fields such as press, publication, film, TV, and broadcasting, increasing numbers of figures from outside of China's borders wish to cooperate with the relevant parties in China. They of course know that the State Council has an Information Office that is in charge of China's external propaganda.

The Information Office's director is Zeng Jianhui, who is also a deputy director of the CPC Central Committee Propaganda Department and director of the Central External Propaganda Office, so is in charge of China's external propaganda policy.

Early on the morning of 8 November 1993, the city of Beijing seemed particularly warm and bright. At 0830, I arrived by car at the State Council Information Office in the Asian Games Village to interview Director Zeng Jianhui.

The radiant but simply attired Zeng Jianhui was somewhat alike in features and build to the well-known Hong Kong scholar and Hong Kong affairs advisor Liu Chaochia [0491 0340 0163], with his presentation of views and style of conversation also similarly well-considered and methodical. He had had very little previous exposure, and for a figure as important as he, it was understood that this was also the first time that his life experiences were being disclosed in such detail to the outside world.

Information Office Is Set Up After the "4 June Disturbance"

The Information Office was established as the State Council news department after the 1989 "4 June disturbance."

The State Council Information Office was founded in early 1990, with its first director being Zhu Muzhi [2612 4476 0037], who retired in March 1993, to be succeeded as Information Office director by Zeng Jianhui.

China's reform, opening up, and national conditions were in great need of understanding by the outside world. To speed up China's development, it was necessary to help "China understand the world, and the world to better comprehend China." In light of the comparative backwardness and slowness of China's external media means, the control by the West of the contemporary world's crucial mass media, and the experience of the "4 June" incident, China had become even more aware of the urgency of providing accurate and rapid news to help the world understand China. While it had taken certain previous actions in this area, it had no department in special charge, and no single agency to coordinate all government departments. So it set up the State Council Information Office in early 1990 as a comprehensive administrative body and news department to objectively brief the outside world on China's key policy decisions.

Zeng Jianhui disclosed that the State Council Information Office in Beijing had less than 100 employees, for a well-streamlined staff.

Zeng Jianhui's two assistants, deputy directors Yang Zhengquan [2799 2973 3123] and Li Yuanchao [2621 3293 3390], were both very competent and qualified.

Information Office Put in Charge of State Council Press Statements in 1993

What key tasks is the Information Office charged with? Zeng Jianhui said that they are:

1. To coordinate and expedite government-sector briefings of China's conditions to the public and the world, particularly China's advances in reform and opening up focused on the economy. As overseas and foreign figures are coming to China to gather news in increasing numbers, it is necessary to have an agency like the Information Office take charge of all aspects of coordination. All State Council departments have now installed press spokesmen, who are working in very active coordination to further overseas understanding of China and pave the media way for reform and opening up. Zeng Jianhui disclosed that beginning in 1993, the Information Office has been responsible for State Council press statements.

Information Office Holds Two Press Conferences a Month, Inviting Departmental Officials To Respond to Reporters' Questions

The work of the many State Council departments is varied and complex, making it hard to fully understand and promptly report on the conditions of all departments. Zeng Jianhui said that the State Council Information Office holds two press conferences a month, inviting one State Council department director each time to respond to questions of public concern. We have held 17 such press conferences, which have been attended by figures such as Li Lanqing (former MOFERT Minister and now State Council Vice Premier), Peng Peiyun (currently State Councilor and Minister in Charge of the State Family Planning Commission), Wang Zhongyu (director of the State Economics and Trade Commission), Tao Siju (Minister of Public Security), and Xiao Yang (Minister of Justice), who have responded at these press conferences to questions put by reporters from various countries. This enables all departments to serve as their own spokesmen to give all a deeper understanding of each department.

Information Office Sets Up a Journalist Liaison Room

2. To take questions from reporters, the Information Office has a Journalist Liaison Room, with Information Office Deputy Director Zhao Shaohua (f) [6392 1421 5478] in charge, to serve foreign, Hong Kong Macao, and Taiwanese reporters. Reporters can present any questions to this Liaison Room, which will help to answer them.

In helping reporters to get interviews, what is the difference between the Information Office and the All-China Journalists Association? Zeng Jianhui said that: The All-China Journalists Association is a mass organization, which can help reporters by furnishing information and solving certain practical problems; but for authoritative news within China, it is necessary to go through the Information Office; for interviews in other parts of the country, the Information Office can provide reporters better interview conditions.

In the last few years, under State Council leadership, the Information Office has published "white papers" on matters such as human rights, Tibet, and Taiwan to help foreigners understand the truth. All of these "white papers" have been followed with interest by all countries.

"News Coverage in China Not Increasingly Difficult, But Rather Ever Easier"

Since the "Hsi Yang incident" of Hong Kong's MING PAO, it has been asked: Will news coverage in China be increasingly difficult, with ever more blockages? Zeng Jianhui stated clearly that news coverage in China will be not increasingly difficult, but rather ever easier. As long as news coverage is normal and within legal limits, China's enormous changes and all news and events will be sources that overseas reporters can cover to their

heart's content. The Information Office is going to show more initiative in providing the outside world with information on China's crucial matters, by reinforcing contacts with overseas press circles.

As Hong Kong's reversion to Chinese sovereignty in 1997 nears, exchanges between Hong Kong and the interior should become closer. Zeng Jianhui said that Hong Kong reporters are welcome to make more contacts with the Information Office. In 1994, the Information Office is likely to organize a news coverage of Bohai Wan (bay) and the great northwest, which will last about one week, and in which Hong Kong reporters are invited to take part.

A Well-Supported News Specialist

Zeng Jianhui is a well-supported cadre.

A senior correspondent told me: "Zeng Jianhui is a genial person who does painstaking work. Despite his important position, he has no air of a high official, both keeping contact with the public, while having rich practical experience, so that he is truly a lifelong news specialist."

Zeng Jianhui Is Born in Changsha, Hunan in December 1928

While Zeng Jianhui was born on 1 December 1928 in Changsha, Hunan, his ancestral home was in Pingjiang County, Hunan. Pingjiang is located in eastern Hunan, being a mountainous area where CPC guerrilla forces were active at the time. Five months after his birth, on 22 July 1928, it was there that Peng Dehuai led the famous "Pingjiang uprising," and at the end of the year led his troops into the Jinggang Mountains.

The War of Resistance Against Japan (1937-1945) broke out on a full scale in 1937, with the flames of war spreading before long to the banks of the Xiangjiang River in Hunan. Zeng Jianhui was studying at the time in Hunan at the Mingde High School, which was moved in 1944 to Xiaolan'gang in rural Hengshan County. When the Japanese army invaded and occupied Hengshan in May 1944, 16-year-old Zeng Jianhui, who had just finished 10th grade, fled to Chenxi County in western Hunan. As Hunan University's temporary campus was there at the time, Zeng Jianhui attended there for a year with his older classmates, studying independently to complete his high school courses.

Zeng Jianhui Takes Part in "1 December" Student Movement in Kunming, Passes Entrance Exam to Qinghua University's Department of Electrical Engineering

In July 1945, Zeng Jianhui arrived in Kunming, Yunnan, by which time the examination period for Southwest Joint University (formed during the war of Beijing University, Qinghua University, and Nankai University) was over. After the War of Resistance Against Japan ended in victory on 15 August 1945, Zeng Jianhui passed the entrance exam to the last college preparatory class at

Southwest Joint University. After he had completed this course, Southwest Joint University closed down, with the 1946 demobilization in Kunming bringing the restoration of Beijing, Qinghua, and Nankai universities. At that time, Zeng Jianhui was promoted to the Department of Electrical Engineering at Qinghua University.

Due to his dissatisfaction with the KMT's corrupt rule and zeal for civil war, Zeng Jianhui, like many of his classmates of the time, threw himself into the Kunming student movement, taking part in the "1 December" student movement that began on 1 December 1945 in Kunming. As he was not yet a member of the CPC at the age of 17, he threw himself into the student movement only out of a sense of youthful justice. He opposed the KMT military and police siege of the campus, and its massacre and beating of striking anti-civil war professors and students. He attended with his classmates an anti-civil war public lecture on the Southwest Joint University campus in the western Kunming suburbs, where the KMT military police actually fired warning shots. Who would have guessed that the following day's KMT press would say that "last night's gunfire came from bandits in the western suburbs," turning all professors and students into a gang of bandits. This further aroused the students' righteous indignation, to the point where they announced a boycott of classes. When the KMT sent spies to break this student strike, sending armed police who beat students and actually threw hand grenades that killed four of them, Southwest Joint University students took the lead in launching the mammoth and famous "1 December" student movement among all Kunming schools, in which Zeng Jianhui was an active participant.

When the war ended in victory, Zeng Jianhui moved with the Kunming demobilization to Qinghua University in Peking, studying in its Department of Electrical Engineering, where his classmates included people such as now PRC Minister of Radio, Cinema, and Television Ai Zhisheng.

The KMT at the time was zealously fighting a civil war, bringing civilians extreme misery and unspeakable suffering. Peking students were against starvation and civil war, staging marches and demonstrations like a raging fire, in each of which Zeng Jianhui took an active part. This gave him more opportunities to ponder the status quo of the society, from which considerations he searched out a new path and took action in response.

In 1948, Zeng Jianhui finally joined the CPC underground party, at which time he was the editor of the Peking semimonthly ZHONGJIAN sponsored by progressive professors at Beijing and Qinghua universities.

Zeng Jianhui Begins General Information Office Work, in Charge of External Propaganda

Peking was peacefully liberated at the end of 1948. As broadcasting personnel were treated very well at the time, and the newly established New China Broadcast Station (the predecessor of the Central People's Broadcast Station) needed someone who knew English, it chose

Zeng Jianhui, who was fluent in English, as an assistant editor of its English broadcast section, which responsible department was also the predecessor of the New China News Agency's Foreign Affairs Department. In the more than four decades since, Zeng Jianhui has always been in charge of external propaganda, taking part in foreign affairs work.

After the founding of the PRC in October 1949, PRC officials paid great attention to press work, setting up the General Information Office. The General Information Office was under the charge of Hu Qiaomu [5170 0829 2606], under which was the International Press Bureau, whose director was Qiao Guanhua [0829 0385 5478], with the New China Broadcast Station's English broadcast department being subordinate to this bureau, to become the International Press Bureau's news agency, which was specially charged with the New China News Agency's external news releases. Zeng Jianhui was an assistant editor at the news agency of the General Information Office's International Press bureau.

In 1951, the General Information Office was dismantled, with Zeng Jianhui being reassigned to the New China News Agency's Foreign Affairs Department, starting as a secretary and moving up to editor and correspondent, with his work being to write the English texts of external broadcasts.

In 1952, during the Korean War ceasefire negotiations, Zeng Jianhui was ordered to lead a group of correspondents to North Korea to report on prisoner repatriation, where he wrote his famous news dispatch entitled "POWs Did Not die on the March."

From the mid-1950s to the 1966 Cultural Revolution, he was one of the few New China News Agency's political foreign affairs correspondents allowed to cover the news within Zhongnanhai. He was already very well known in press circles, having been promoted to director of the New China News Agency's Foreign Affairs Correspondents Group.

During the Cultural Revolution, he was put out of the way for a time, allowed to do only in-office translation work, while also spending a few months at a cadre school in Fangshan County. As English writing and news coverage talent was needed at the time, and he had outstanding competence in this field, he was reassigned during the latter part of the Cultural Revolution to the New China News Agency's General Editorial Room as an assistant editor-in-chief, taking part many times in covering the news of meetings by Mao Zedong and Zhou Enlai with foreign heads of state and important guests.

Zeng Jianhui Twice Leads Delegations To Cover Major International Sports Competitions

Zeng Jianhui has also led delegations twice to cover major international sporting events.

In 1978, when he was assistant editor-in-chief at the New China News Agency, Zeng Jianhui led a large delegation of Chinese correspondents to Thailand to cover the Bangkok Asian Games.

In 1984, when the Olympic Games were held in Los Angeles, Zeng Jianhui also led a delegation of Chinese correspondents to cover them, by which time he was a deputy director of the New China News Agency.

Zeng Jianhui Promoted to Deputy Director of Central Propaganda Department in 1988

In May 1982, Zeng Jianhui was promoted to deputy director of the New China News Agency, in charge of external propaganda and particular editorial room work. Then in 1988 he was promoted to deputy director of the CPC Central Committee Propaganda Department, while still serving concurrently as deputy director of the New China News Agency. By 1992, as he had too many affairs to manage, he finally left his post at the New China News Agency.

Zeng Jianhui Takes Over as Information Office Director in March 1993

Zeng Jianhui's current key post is director of the State Council Information Office, which is not only a key post at the ministerial level, but also can be called the PRC State Council's mouthpiece.

Party, Government Businesses Influence Judiciary *94CM0127A Changsha FAZHI YUEKAN [LEGAL SYSTEM MONTHLY] in Chinese No 146, 5 Nov 93 pp 16-17*

[Article by Xiang Xuhan (0686 4872 3352) and Peng Jiaming (1756 1367 2494): "Influence of Party and Government-Run Economic Entities on the Judicial System, Legal Countermeasures"]

[Excerpts] [passage omitted]

1. Entities and units set up and operated by the party are unable to cut their ties; there is no differentiation between government and enterprise, or between official and commercial; and it is hard to tell the defendants from the plaintiffs.

To provide support to entities being run by party and governmental organs, the great majority of local party committees and governments have explicit regulations: Concerning entities which temporarily do not have the wherewithal to cut ties, they are permitted a transitional period, and after conditions are ripe then all relations are to be severed. Undoubtedly this sort of regulation has a certain positive effect in the initial phase when the entity is being created. However, because the entity's structure and its personnel and even its property have not yet been cut loose from the party or government organ, the interests of the entity are still closely linked with the interests of the cadre, thus it is hardly avoidable that some units make use of these functional advantages to

get someone's initials on something, uncover resources of materials, make hot merchandise scarce. The party and government organs in Tianjin city set up some 124 entities, of which only seven cut their ties. According to an investigation, despite the fact that when these entities were set up they were duly registered with the industrial and commercial control departments and attained the status of legal persons, looking at them at the present time from the angle of their actual control structures, they fall into only two types. In one type the party or government organ used the "washed hands" method and contracted it out to an individual, and while the parent organ provides some facilitating for it, it also rakes in a certain amount of management fees; the other type is that in which the parent organ sets up a "big contract and tight connections" and everything is centrally controlled and operated. Because the entity and the parent organ are unable to cut their ties, there remains a huge spider-web of relationships between the two, and no matter which of the above two types of operation was chosen, it has to result in the situation wherein there is no differentiation between government and enterprise, between official and commercial. But this is exactly the reverse of the goal of the reforms, and this is especially true in the cases where official and commercial are not separated and authority is used to make the commerce operate: Exactly what the masses of people most detest. In the same manner, when government is tied to business, it presents some new problems to the People's Courts in their judicial work. At present the most prominent problems occur when an organ's entity has a dispute with an individual: What position in the litigation does the party or governmental organ take? When asked this, judicial officers commonly hold one of three opinions. 1) The party/governmental organ cannot become a party in the litigation, the reason being that, in theory, the entity is an independent legal person and should independently shoulder its legal responsibilities. 2) The party/governmental organ has the position of plaintiff or defendant in the litigation, the reason being that in reality, the entity's status as a legal person is nominal not actual, the organ is really the person running the operation. 3) The party/governmental organ is a third party without independent rights of appeal, the reason being that the entity is an independent legal person, but the outcome of the decision on the case has relevance to the entity's interests under the law. We believe that all three of the above views suffer from bias, and cannot categorically address the question of the position of party and governmental organs in litigation cases; we should do a synthesis of cases and seek a firm understanding from the actual situations.

2. When economic management departments and governmental and judicial organs engage in commercial businesses, it causes problems among the masses and judicial work becomes difficult.

The majority of the entities established by party and government organs are established utilizing the organ's own functional advantages, and thus the interests of the

entity and those of the organ and its cadres are intimately connected. Some units unavoidably make use of their own official authority to market their power or monopolize a sector. This is especially true of some economic control departments with real power and governmental and judicial organs which engage in commercial businesses. Even though nominally the entities they establish are market principals equal with other companies and enterprises, because of the effects of the functions and official power of their parent organs, they seem to be most able to control the markets and master all situations. This is a matter of concern with the populace, who consider this a type of "upside down officialdom" and "official businessmen," and universally complain that "the powerful make lots of money, the not so powerful make a little money, the powerless don't make any money at all." In the same manner, the involvement of these organs has had a rather great effect upon litigation work in the judiciary. Considering present conditions, the establishment of commercial entities by such units and organs has had the following effects upon the judiciary. 1) Economic control departments which in their own right have state apportioned management authority can, in some areas, directly influence and exert pressure upon the judicial organs. The result is that when the judicial organs are handling cases which directly affect the entities established by these units or departments, it has no choice but to act with extreme caution. 2) When handling cases involving the entities set up by other governmental or judicial departments, the judiciary often is subjected to the influence of personal intercessions and relationships. 3) In cases where the odd judicial organ has established its own economic entity, some judiciary personnel have become involved in "running the business," the image of the judiciary and the judicial official is greatly effected, especially when handling cases of litigation involving the very entity it has established.

3. Registered capital is falsified, real entities become "ghost entities," judicial decisions and rulings are difficult to enforce.

Even though according to the materials provided by the industrial and commercial departments the 124 entities of organs have registered capital of over 18 million yuan, according to actual figures which we have, the majority of the units' registered capital is exaggerated. Some of the figures are totally fabricated out of nothing, others reflect borrowing from someone in order to register and then immediately repaying them; some exaggerate by increasing the value of mortgaged goods. Our investigation shows that majority of the capital in the organs' entities comes from three areas. First are bank loans and loans from friends and relatives. Second are public funds invested by the organ establishing the entity, and third are from personal savings. However, these funds are always limited, short term, and unstable. In Tianjin personal savings amount to 1.2 million yuan, and the average for each entity is less than 10,000 yuan. Many of the bank loans taken out by the entities have fallen due;

public funds invested by the establishing organ cannot be subjected to any risks and can be recalled at any time, so many of the organs' entities only have their license and their personnel but have no "wherewithal" to run a business, thus becoming "ghost entities." Thus, in the administration of justice, after a case is settled, we often encounter the situation where these units have no capacity for continued operation; the judicial decision or ruling is nothing more than "empty words" and "useless sentences." [passage omitted]

Wei Jingsheng on 'Predicament' of the People

94CM0115A Hong Kong MING PAO YUE-KAN
[MING PAO MONTHLY] in Chinese No 12, Dec 93
pp 43-44

[Article by Wei Jingsheng (7614 0079 3932): "Savior or Malefactor? On the 100th Anniversary of the Birth of Mao Zedong"]

[Text] This subject is a very large one, but we don't have to go into it at great length. At first glance, it seems that we are talking about the achievements and faults of Mao Zedong, but actually we are discussing our predicament as Chinese people, and the causes. To use the oft-repeated formula, currently popular among the masses on the mainland, we can speak of "the inveterate evil-mindedness" and the "vileness" of the Chinese.

For the last hundred years, or since even more remote times, our several hundreds of millions of fellow countrymen definitely have been living in hellish misery. Not only has food and clothing been a problem, but even minimal human rights could not be guaranteed. To describe it in colloquial language, "the rich and powerful didn't treat us poor folks like human beings"; but, in fact, were the rich and powerful treated like human beings? They themselves had no such expectation, so slavish formulas like "I wish to labor like a dog or a horse" were fashionable politenesses, and remained in common use for a long time. In a country as large as China, were there no men?

There is more. Starting two thousand years ago, with the first time that a totalitarian and despotic dynasty was overthrown, wise men have continually appeared in China, and sounded the clarion call of human rights. Their slogans and ideals were of various kinds, but they had one thing in common, and that was the demand that farmers and convicts, who were at the lowest strata of society, be treated as equals. "Are there any noblemen, or generals or great officials, who are worth anything?" The problem of food and clothing was of secondary importance. They were not things to be received as a matter of course; they had to be won through the effort of each individual. Only under the system of slavery, under feudalism, did people receive food and clothing, or get treated like human beings, as a matter of course. But people are not ordinary animals. What they demand first is to be treated like human beings, by others, and by themselves. To use the expression that is in vogue right

now, they demand, first of all, that their human rights be guaranteed, not that they be treated merely as "domestic animals that can talk" or as "tame implements" to be cared for and ordered about.

Therefore, it was only the clarion calls of the wise and brave men of successive ages that enabled the people to unite in vast numbers and achieve great things. Mao Zedong and his comrades (or at least a considerable portion of them) were wise and brave men of just this kind. Their slogans combined many foreign ideals and were the most alluring promises in history. How could the people, so crushed under the weight of suffering that they could not draw a breath, and muddled into bewilderment for generations by their rules, not revere him as a living bodhisattva? This is why a great savior comes to be; not because he does good things for the people, but because the people impatiently expected him to do good things for them. Placing hopes in a great savior is an ignorant fantasy, but still it cannot be called "the inveterate evil-mindedness" of a "villain." Everyone has the right to struggle for, and then to achieve, a happy life. This is also a fundamental human right.

If there is any "vileness," then it lies in the pervasive conditioning, of several thousand years of despotic culture, and in the psychological tendency of small producers toward narrowness and short-sighted greed, which makes them content to accept, and be satisfied with, a "great savior." They do not want to think about "different political views" anymore, nor do they want to apply themselves anywhere, to thought or action; they don't want to take risks, and think "cunningly" that, after nature has grown the fruit for them, they can then sit idle and enjoy the harvest. Therefore, they instinctively assist the "great savior" to seize power, and consolidate his dictatorial, despotic regime; in reality, they are solely responsible for building the despotic regime that oppresses and exploits them. The so-called "new authoritarianism" and "old Fascism," are nothing more than a modern version of small farmer ideology.

Not only Mao Zedong, but all the great saviors of successive dynasties and eras, naturally acted out the ugly side of human nature in full measure, as soon as they were raised to be dictators. Selfishness, greed, cruelty—these evils of human nature, that show up even in children, but are restrained by the social environment, reach almost their extreme limit in every dictator. This is because dictators are not subject to the restraint of the social environment, and possess omnipotent power offered up to them by the people in their delusion. It is

just like plants and animals, that, once freed of environmental constraints, will multiply to the extreme, leading to an ecological disturbance. Once the social ecology is disturbed this will lead to an extreme expansion of government power and a pernicious growth in bureaucracy. Therefore, once the attempt is made to realize in practice, in society, the blessings of despotism under "great saviors and just rulers," as fantasized in small-farmer socialism, then small farmers themselves will become its greatest victims, and it will also bring disaster to all other strata of society.

Small farmers and small producers (including "intellectuals"), are of all groups the most powerless to protect their members in society. All they can do, in the face of heavy oppression, is to beg the oppressors to take pity on them, or else, in addition to that, to betray others who are also oppressed, in return for "rights" under an ever-worsening state of life. Moreover, from this is produced a "vileness with Chinese characteristics." They give their most revolting flattery to those who oppress and exploit them most fiercely, but they break the head of anyone who is brave enough to come forward on their behalf, and cry out against the wrongs done to them. In this way, they ingratiate themselves with those who are sucking their blood. This curious and outlandish trait of their character came out, in its most typical form, and most plainly, during the Mao Zedong era, and especially during the Cultural Revolution. This is the greatest tragedy of a great people, and it is also a tragedy for the dictators themselves. If the people, in their delusion, had not raised them up to be gods, would they not have become better people? The life of Mao Zedong is a tragedy of this kind, that will make a person wring his hands and sigh.

Nowadays, some people are nostalgic about Mao Zedong. Actually, they are nostalgic for the honest government of that time (which at least proves that Mao sincerely tried to be a good person). They absolutely are not nostalgic for the excesses and poverty of that time, and still less do they "ardently love despotic socialism." When some people in official positions seize on this subject, to put over their own ideas, it means they have an ulterior motive. Don't they envy that god-like, absolute power? At least, it gave quicker results than the "new authoritarianism." It is not impossible that they might take advantage of the prevailing climate to launch a new deification movement. But, regrettably, history does not retrace its steps, and circumstances change as time goes by. A new deification movement might end in a farce, and the gods might turn into buffoons. Let us wait and see.

PROVINCIAL

Hunan Vice-Governor on Rural Insurance

94CE0262A Beijing JINRONG SHIBAO in Chinese
10 Jan 94 p 2

[Article by Wang Keying (3769 0344 5391): "Energetically Develop the Rural Insurance Industry; Promote the Stable Growth in Agricultural Production"]

[Text] Our province is subject to recurrent natural disasters. In 1993 we first had freezing cold and then hail damage and tornadoes, and with summer came disastrous floods which caused major losses in agricultural production, personal property and state property. Direct economic losses attributable to these disasters amounted to more than 10 billion yuan for the whole province. When the disasters happened, the people of the whole province, under the leadership of the party committees and government at all levels fought the disasters courageously to rebuild their homes; the insurance departments played a major role in these activities. Up to the present date, the provincial insurance system has paid out over 150 million yuan in insurance claims to over 6,300 afflicted enterprises in the disaster areas, to over 120,000 households which suffered damage and for over 4.3 million mu of damaged cropland. A great many damaged enterprises were able to resume normal production and operations very quickly, and the suffering people were able to stabilize their lives in short order. Various types of post-disaster self-help activities were able to be carried out swiftly after the calamity. The experience in fighting and recovering from these disasters showed the leadership at all levels and each comrade working in the rural villages that in the countryside, if we want to effectively organize the farmers to fight and recover from disasters, one of the major aspects that must be attended to is the forceful expansion of the insurance sector. Hunan is a major agricultural province, and is one in which natural disasters frequently occur. That we must make major efforts to organize the farmers to prevent and recover from disasters is commonly recognized by every level of leadership. However, that insurance is a major link to be forged in this major undertaking is something that some of our comrades do not easily comprehend. From this we can see that in order to effect a great expansion of rural insurance, the first task is for all levels of leadership to have a correct understanding of insurance, and a common understanding which includes grasping at least three points of truth and fable.

1. Expansion of insurance will not hamper production, but can only greatly promote production.

A necessary condition for guaranteeing the smooth operation of production and the expansion of reproduction is the establishment of a reserve insurance fund to be used to make up the economic losses incurred from natural disasters and unexpected accidents. This will not only not hinder production, but on the contrary, can only

strengthen and promote production. This is especially true in agricultural production where natural calamities abound and to a great extent, one "depends upon nature for food." The situation in our province last year amid the major calamities completely substantiated this point. In July, in Hangongdu Village, Tingcheng District of Changde City, more than 20,000 mu of cotton was inundated, more than 5,000 mu was flattened and died. Because they had insurance, the People's Insurance Company paid over 950,000 yuan in compensation. The affected cotton farmers used the advance compensation to quickly purchase materials for resuming production, and used the opportunity to convert the cotton fields to rice paddies and planted over 4000 mu of rice. However, in some places insurance is not handled well, and after a disaster even resuming normal living is extremely difficult, much less is there a quick recovery in production.

2. Insurance is not an added burden for the farmers, but can only lessen their load.

Insurance is an economic compensation system, concretely embodied in the form of a reciprocal economic contract. The farmers take on the responsibility of paying insurance fees, and then have the right to receive insurance compensation from the insurance company in times of disaster. This sort of reciprocal right and responsibility relationship is of course not the same as the unfettered apportioning of expenses or exacting fees. A bit of honest social enquiry will show that at the present, the farmers' heaviest and most feared burdens are disaster without relief, aging without caretakers, and sickness without medical aid. When the farmers join the insurance system and pay the small insurance fee, then when a calamity happens or the insurance comes to full term, they can receive the corresponding economic compensation or insurance payoff, and achieve their goals of having compensation for disaster, care in old age and medical care when ill. Thus, the fear of trouble dogging their steps is eliminated and their ability to withstand risks is enhanced. How can this do anything other than relieve the farmers' burdens?

3. Insurance is not a governmental burden, but lessens its worries and solves its problems.

When the populace meets with disasters and production encounters difficulties, all levels of government must as a matter of course fulfill their duties and responsibilities to relieve the troubles of the people. However, the losses caused by disasters are not problems which can be solved by relying solely upon the limited relief funds of the government, and the relief aid of other social departments is also extremely limited. The positively effective method is to rely upon insurance to mitigate the dangers, to organize a thousand households to come to the aid of one. During the recent disasters, the county magistrates in the areas where insurance matters were well handled happily said: "When we saw the insurance agents appear we gained peace of mind." "In the disasters this year, with insurance as our backup, it was a lot easier to be a county (village) magistrate." From this we can see that

insurance does not make trouble for the government, but lessens the worries and solves the problems of our leaders at all levels. Insurance benefits the farmers in many ways. Logically speaking, every level of leadership should give full support to insurance. However, this is not the way it works out in real life. Some comrades talk about the importance of insurance, but if you expect them to really give support and aid, they are unwilling and ineffectual; in an informal setting they will talk about the importance of insurance, but in the formal setting with the masses they are not so bold or assured on insurance matters. There are several problems with the line between truth and falsehood which must be clarified if we expect all levels of leadership to put their back into supporting the expansion of the insurance sector.

First, we must make a clear distinction between organizational mobilization and administrative interference, and boldly solve the difficulties involved in expanding the insurance sector. At present, we have a great many comrades who are not at all clear about what sort of role the various levels of government and the various levels of leadership should play in economic construction under the market economy. They onesidedly think that in running a market economy, neither the leaders nor the governmental departments can be of much help as far as economic work is concerned. They can think of nothing to say and can find no place to play a useful role. Thus, when the insurance departments mention some concrete problems and questions which require their help in solving, they are always unavailable and evasive, fearing that giving support to insurance work means using administrative measures to interfere with economic work. This sort of mindset is extremely harmful. Insurance is a social action. We want all levels of leadership to support the development of rural insurance so as to draw support from administrative influence and to initiate an effective organization and mobilization throughout society. For instance, focusing on the problem of the weak understanding of rural insurance, the various levels of leadership and governmental departments can and indeed should, through effective channels and forms, initiate a widespread propaganda and mobilization effort directed at the farmers to enhance their understanding of the risks involved and so voluntarily join the insurance program. Done in this way, there is nothing they can be reproached for. There is a fundamental difference between this sort of work and the type of administrative interference which forces the farmers to do this or not do that without regard to objective conditions. For this reason, we want to make the organization and mobilization of the farmer to voluntarily elect to take insurance and the resolution of various problems in the expansion of the rural insurance sector a real part of the work of all levels of leadership and governmental departments, and have them do this work boldly and assuredly.

Secondly, we must clearly differentiate between voluntary uniform election of insurance and forced participation in insurance, and boldly expand the happy circumstance of the broad masses of farmers gladly accepting

the expansion of rural insurance. Some time ago the insurance company did some useful exploration of the ways to organize the farmers to get insurance. For instance, to focus on the fact that farmers' housing is widely dispersed in many locations over a wide area, the implementation of uniform insurance registration on a voluntary basis, one could say, has a positive effect on the rural insurance industry, and is a useful way to adapt to present conditions in rural villages and expand rural insurance. However, some people latched on to the fault that some of the work done in the process of organizing was rather haphazard, found grievous fault with this method, calling it forced insuring. This is not fair. Looking at the actual situation in our province's rural villages at the present moment, it would seem a reasonable request to ask the insurance company to send a person to knock on every door and collect insurance fees. However, looking at the actual situation in the province, it would be extremely difficult to actually do this and in some places one can say that it is impossible to do. Even if it could be done, it would greatly increase to the operational costs of rural insurance and would adversely affect the accumulation of risk funds. For this reason, on the basis of an all-round propaganda mobilization and the voluntary participation of the farmers, the insurance company, through its agents, conducted uniform insurance election procedures. It is a necessary and feasible method which cannot be simply labeled "total insurance" meaning that it was forced insurance. At present, following changes in governmental functions, the forms of governmental support of insurance have seen corresponding changes, going from direct involvement to indirect propaganda and guidance. For this reason, we must be based on reality, and boldly expand the beneficial situation in which the broad masses of farmers willingly join in, taking the new path of a combination of direct acceptance of insurance and the use of agents, and pushing rural insurance work to ever higher levels.

Thirdly, we must make clear the relations between the Peoples' Insurance Company and other insurance organizations, and actively support the Peoples' Insurance Company's role as the main channel of insurance. With the continued flourishing of the socialist market economy, it is necessary that many more insurance entities be fostered. However the unique aspect of rural insurance is that the agricultural products production process is greatly affected by the natural elements and the rural households operate over a widespread area, so that once a calamity hits, not only are the losses tremendous, the survey of the damage done and calculation of compensation also requires a tremendous amount of men and materiel. This makes it necessary for the organization providing rural insurance to have not only great power, but to have a vast staff of personnel and a tremendous insurance network. Considering the several insurance organizations which are expanding the insurance business in our province at present, the China Peoples' Insurance Company is the one which can satisfy the requirements of the broad masses of the farmers. All levels of the party and government should actively

support the China People's Insurance Company's in carrying out its work in the rural villages and playing the role of main insurance channel. As far as those insurance organizations which as yet are unable to provide insurance service to the villages, all levels of the government and the financial control departments should follow governmental policies and regulations, actively aid in creating appropriate circumstances, while at the same time strengthening control and discipline, so as to unfalteringly protect the personal interests of the broad masses of farmers.

FINANCE, BANKING

Liu Hongru on State of Securities Markets

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[Article by Liu Hongru (0491 7703 0320): "Chinese Securities Markets on the Way To Standardization"]

[Text] The founding of China's securities markets was marked by the issuance of state treasury bonds in 1981. After more than a decade, and with their rapid development in the last two years in particular, they are beginning to take shape and are flourishing and prospering. They have become one of the hot points in our economic life.

The Four Stages of Development of China's Securities Markets

The first stage was the beginning stage during the years 1981-1988. At first, they still bore the marks of the planned economy and were haphazard government bond markets. Even though some 45.5 billion yuan's worth of bonds were issued during that period, because they were distributed under the method of government-assigned purchases and were not transferrable, nor could they be circulated, there was never a secondary market for government bonds in the standard sense. It was during this period that enterprise bonds, financial bonds, and stocks began to appear. In regions where reform had begun first, especially, not only were fairly standardized forms of stocks issued to the public—for example, Shanghai's Vacuum Electronic Apparatus Co. Ltd. and Feiyue Shareholding Co. Ltd. stocks, Shenyang's Jinbei Automobile Co. Ltd. stocks, and Shenzhen's Development Bank stocks—but Shenyang and Shanghai and other localities also piloted the transfer of enterprise bonds and stocks, accumulating valuable experiences for the opening of secondary securities markets.

The second stage was the development stage from 1988 to 1990. The turning point was the opening of the secondary securities markets. In April 1988, with the State Council's approval, Shenyang, Shanghai, Guangzhou, Shenzhen, Wuhan and other localities began testing the exchange markets for state treasury bonds. At the end of that year, the state treasury bond trading business quickly spread to the large- and medium-sized

cities across the country. The opening of secondary markets for state treasury bonds not only spurred a large increase in the kinds and the volume of issuance of government bonds but also changed the concept of many purchasers, making the purchase of government bonds purely an act of investment. At the same time, it changed the traditional way many Chinese enterprises raised capital: they began to enter directly into the capital markets to gather funds. In Shanghai and Shenzhen in particular, the stock exchanges really developed. By 1990, Shanghai had seven shareholding companies listing their stocks in the exchange; Shenzhen had five listing companies. Over-the-counter trade was very brisk at that time, but for various reasons, the black market also ran rampant, and stock prices soared because of excess demand.

The beginning of the third stage was marked by the opening of the Shanghai Securities Exchange in December 1990. China's securities markets ended their disorganized over-the-counter trade and turned to organized market trading. The opening of the Shanghai Securities Exchange not only brought the trading of securities into the exchange but also introduced computerized match-up and paperless transactions, and in one stroke it caught up the technological development that took the Western stock markets nearly a century and the Asian Pacific region several decades to accomplish. It not only improved market efficiency but also practically eliminated black market transactions, taking the standardization of the securities market a big step forward. Subsequently the installation of the Beijing National Securities Trade Automated Quotations (STAQ) system was put into operation (on 5 December 1990), which was followed by the formal opening of the Shenzhen Exchange in July 1991. The development of China's securities markets entered a new historical phase. As securities trading became increasingly active, the market for securities issuance also expanded. At the end of 1991, special RMB stocks (B-shares) were issued, opening up a new channel to attract foreign investments via the stock market.

The fourth stage began in 1992. Comrade Deng Xiaoping's South China speech reaffirmed the reform experiments with the shareholding system and the securities markets. It became a strong force behind the reform and opening up. The securities markets and the entire process of the restructuring of the economic system helped propel each other into a new developmental phase. In early March 1992, the State Restructuring the Economic System Commission and the State Council's Economic and Trade Office convened the "Summary Meeting on the Experiences of the Trial Implementation of the Shareholding System" in Shenzhen. Based on the conclusions drawn at that meeting, the State Council handed down a document confirming the positive nature of the pilot shareholding system. Subsequently, the State Restructuring of the Economic System Commission and other related departments jointly issued the "Suggestions on Standardizing the Shareholding Limited Liability Companies" and more than a dozen of other

individually drawn up laws and regulations, which played an active role in putting the shareholding pilot project on a legalized and standardized course. The pace of reform toward the shareholding system clearly picked up. Experimental points set up to issue stocks to the public spread from Shanghai and Shenzhen to Guangdong, Fujian, and Hainan. Nationwide, more than 5,000 enterprises converted to the shareholding system, issued stock publicly, or implemented the directional capital-raising system. In 1992, 53 enterprises in Shanghai and 10 in Shenzhen issued stocks publicly, and adding the six kinds of out-of-town stocks from Hainan, Wuhan, and Shenyang traded in the Shenzhen and Shanghai exchanges, the scope of stock trading further expanded. Meanwhile, many new types of financial goods—such as investment funds, stock subscription warrants, negotiable bonds, and investment profit bonds—began to appear in the securities markets. The bond market and the stock market set each other off as both entered a phase of prosperity.

The State of China's Securities Markets

1. The scope of the securities markets is constantly expanding: From 1981 to 1992, 381.7 billion yuan's worth of assorted negotiable securities were issued. They consisted of 108.4 billion yuan in state treasury bonds, 39.7 billion yuan in financial bonds, 20 billion yuan in special state bonds and value-guaranteed public debts, 40.7 billion yuan in state investment bonds (including state construction bonds, state key construction bonds, and basic construction bonds), 96 billion yuan in enterprise bonds, 61 billion yuan in financial bonds, and 15.9 billion yuan in stocks. Securities issued in 1992 were worth 128 billion yuan. The bulk—nearly one-third—of securities in the securities issuance market were government bonds, and if we add the government-guaranteed state investment bonds, they would exceed 40 percent.

The securities circulation market was also extremely active last year. Volume of exchange in the organized markets topped 104.4 billion yuan, among them, bond volume (primarily state bonds) topped 35.1 billion yuan. Volume of trade in stocks was 69.2 billion yuan, 12.4 times more than the 5.1 billion yuan traded in 1991. Specifically, the Shenzhen Exchange's volume was 44 billion yuan while trading in the Shanghai Exchange was worth 24.8 billion yuan.

So far, a total of 110 companies are listed in Shanghai and Shenzhen. There are 108 A-shares and 30 B-shares. Their combined market value is nearly 300 billion yuan. Transactions in the two exchanges so far this year are worth more than 170 billion yuan.

2. An exchange market system is gradually taking shape: China's securities exchange markets are gradually taking on a format that combines organized and decentralized trading. The organized exchange markets include the "two exchanges" and the "two networks." The "two exchanges" refer to the Shanghai Securities Exchange and the Shenzhen Exchange, and the "two networks"

refer to the National Securities Trade Automated Quotations System (STAQ) and the National Electronic Trading System (NET). Securities traded on the two Exchanges are mainly personal shares issued by the listing companies. After the STAQ system began piloting the trading of state treasury bonds and legal person shares, the NET system also began trading legal person shares. The decentralized exchange markets refer to the 3,000 securities business outlets around the country. They include securities companies, outlets of the securities business department of trust and investment companies, and securities agencies of banks and credit cooperatives that trade bonds the over-the-counter.

3. A securities market management system is taking shape: The State Council's Securities Exchange Commission (the Securities Commission for short) and the Chinese Securities Supervisory and Administrative Commission (Securities Supervisory Commission for short) were founded in October of last year. The Securities Commission is in charge of the macroeconomic management of the country's securities markets. It is made up of leading comrades of the State Council's relevant ministries and commissions. Its basic duties are to formulate laws and draft legal provisions pertaining to the securities markets; to study and formulate general and specific policies and rules and regulations pertaining to the securities markets; to draw up the securities markets' development program and annual plans; to guide, coordinate, supervise, and check the performances of securities market-related tasks of different regions and departments. It is also in charge of the Securities Supervisory Commission.

The Securities Supervisory Commission is the executive organ of the Securities Commission. It is made up of experts with professional knowledge and practical experiences in securities. Its main responsibilities, as empowered by the Securities Commission, are to formulate securities market management rules; monitor the way companies in the securities business handle their trade, especially how they handle their stock trading business; legally supervise the issuance and exchange of negotiable securities and the companies that issue stocks publicly; supervise and monitor domestic enterprises that issue stocks abroad; work with the relevant departments to compile securities statistics, study and analyze the securities market and promptly report to the Securities Commission and make suggestions. The State Council's relevant departments and local governments also have specific securities management responsibilities. The State Planning Commission is responsible for formulating and balancing the securities plans. The Financial Ministry is responsible for matters relating to national debt and is in charge of the chartering of accountants and accounting firms. The People's Bank is responsible for examining and approving and managing the securities business companies. Local governments are in charge of securities exchanges within their jurisdiction. The securities industry's self-disciplinary [ZILUXING] organizations consist mainly of the Chinese Securities Trade Association and the Chinese National Debt Association.

4. Securities organizations and intermediaries are growing rapidly: As the securities industry continues to expand, financial institutions that can handle securities business and intermediaries serving the securities industry also continue to increase. At the end of 1992, among the financial institutions approved to manage securities, there were 85 securities companies, 386 trust and investment companies, and more than 1,200 securities departments set up within the trust and investment companies and multipurpose banks. In addition, there were 2,000 outlets set up by banks and credit cooperatives, and we also had more than 500 securities intermediaries, primarily accounting firms, auditing companies, law firms, property appraisal companies, credit assessment companies or offices, securities investment consultation companies and so on. To strengthen the management of intermediary service organizations and improve their service quality, the Chinese Securities Supervision Commission and other relevant departments have evaluated the credentials of intermediaries dealing with securities. In addition, membership in the Shanghai and Shenzhen exchanges have also been increasing. At the end of last year, the Shanghai Securities Exchange had 171 members and the Shenzhen Exchange had 151 members.

5. Laws regulating the securities markets are gradually being perfected. When stock market pilot projects were first set up in Shanghai and Shenzhen, the main laws we had were the "Temporary Regulations on Managing the Shanghai Securities Exchange," "Temporary Regulations on Managing Stock Issuance and Exchange in Shenzhen," and the "Temporary Method for Managing the Securities Companies." Here it should be pointed out that socialist China has just promulgated the first set of "Temporary Regulations on Managing Stock Issuance and Exchange" on 4 May of this year. It was drawn up based on Shanghai's and Shenzhen's and other localities' laws and regulations. It marked the first step toward creating a set of unified national laws and regulations for China's securities markets, and it was also an important result of the restructuring of the economic system. It was no small accomplishment. The "Regulations" starts out from China's actual conditions and also references usual international practices. Its purpose is to protect the interests of the investors and promote the standardization of the securities markets, especially the stock market, so that the stock market has regulations to follow and laws to abide by. Of course, this is just the beginning, and in the future, we still have much work to do with regard to setting up a legal system for the securities markets.

Clearly, the birth and development of China's securities markets played and is still playing a positive role in the country's economic reform and development. To sum up, first, they raise capital for economic construction. The securities markets' main function is to turn society's scattered funds into long-term capital through the issuance of stocks and bonds; they provide a source of

long-term capital to fund the nation's economic constructions. This is more obvious in regards to government bonds and enterprise bonds. However, although the scope of stock issuance is smaller, it is growing rapidly, and for this reason, enterprises that raise capital by issuing stocks are also growing rapidly. Second, they help curb inflation. Generally speaking, stocks and bonds are direct means of raising capital. Compared to indirect means of gathering funds through banks, direct fund gathering does not change the total money supply and does not produce the multiplier effect of increased money supply; instead, by absorbing society's idle funds, they change the mix of society's financial assets and ease the pressure of society's total demand. Furthermore, direct fund gathering puts more stringent demands on enterprises, prompting them to improve efficiency, thus it accelerates the flow-back of credit funds and helps to curb inflation. Third, they promote changes in the state-owned enterprises' management mechanisms and accelerate enterprises' market-orientation process. Conversion to the shareholding system has clarified enterprises' property rights, changed the old situation where nobody would take responsibility for the management of state-owned enterprises' properties, and has brought about the separation of ownership rights and management rights. As a result, enterprises can gradually end their dependence on different levels of government and can make their own management decisions and take responsibility for their own profits and losses. When shareholding enterprises issue stocks and raise capital in society, it means they must accept the supervision of tens of thousands of shareholders, and this forces them to improve management and administration and to diligently improve their economic efficiency. Fourth, they help achieve optimal allocation of resources. The securities markets have smashed the pattern of planned fund allocation and have made the market the basis of resource allocation. Implementing the shareholding system not only subjects the incremental assets to the market's regulation but also puts the existing asset base in the market where they can be readjusted. Today, local governments are very selective and strict about enterprises that issue stocks, and this gives the nation's bottleneck industries and well-managed and efficient enterprises ample opportunity to develop. How well or how poorly the enterprises are managed also determines the flow of society's funds, creating the competitive mechanisms whereby the inferior are eliminated by the superior, and in turn society's funds are guided to the profitable industries and enterprises, achieving optimal allocation of resources. Last, they promote the formation of a socialist market system. A fairly complete market system should be a system that integrates the commodities market and the fund market. The securities markets are an important component of the fund market, and their development and improvement not only promote the formation of the fund market but also accelerate the improvement of the commodities market. This is because enterprises are the market's principal players. The better they can compete in the commodities market and the better off they are, the more they can raise

capital in the fund market. These are flip sides of the same process. Increasingly, the development of China's securities markets is proving that they can play a positive role in this area.

Existing Problems in the Development of the Securities Markets

Looking at the course of development of China's securities markets, today, we still have some major problems that need to be considered carefully and resolved.

1. The question of regulating enterprises' conversion to the shareholding system:

Enterprises' conversion to the shareholding system must be regulated; their public issuance and listing of stocks must meet very strict standards. This is the cornerstone of the stock market's healthy development. Today, the lack of standardization in enterprises' conversion to the shareholding system is manifested in the following ways: One, in converting to the shareholding system, some enterprises fail to assess their properties accurately, resulting in underestimation of the book value and loss of the state's assets. Two, when they engage in directional capital raising, they often do not limit themselves to issuing shares internally to their own staff and workers, and as a result, "internal shares are made public and legal person shares are sold to individuals," which in turn leads to the black market trading of equity rights. Three, some regions do not follow the central government's legal instructions when they convert to the shareholding system; they do not follow procedure and submit reports as required and often lower the examination and approval standards. Four, share holding companies that have issued and listed their stocks are slow in changing their management mechanisms; their shareholders' meetings exist in name only, and there is no safeguard for the shareholders' rights and privileges. For these reasons, the State Restructuring of the Economic System Commission in conjunction with other relevant departments have issued some documents on standardization, asking the localities and enterprises to comply with their requests and work diligently when enterprises convert to the shareholding system. Only when an enterprise is truly ready should it issue stocks and become a listing company; we must not blindly pursue quantity by sacrificing quality. Enterprises' asset appraisal must be accurate; the delineation of property rights must be clear. We must follow the accounting system formulated for the shareholding system when changing enterprises' accounting system. We must set up and perfect enterprises' internal management system. The shareholders' meetings, board of directors' meetings, and supervisory meetings must be organized according to standard proposals. We must truly change enterprises' operating mechanisms and improve their ability to discipline themselves. It should be pointed out that as we open up to the outside world and as enterprises get into the market, the transformation of the shareholding companies should follow international standards even closer to become internationalized.

2. The question of the publicly owned shares:

In changing to the shareholding system, we must uphold the primary role of the socialist public ownership system and guarantee the preservation and appreciation of the value of the state-owned assets. This is a fundamental premise. From the point of the scope of the pilot project to set up shareholding enterprises, enterprises involved with national security and state-of-the-art national defense technologies, projects involving the mining of rare metals of strategic importance, and industries and enterprises that must be monopolized by the state should continue to be run by the state. For the energy, transportation, and communications and other fairly monopolistic industries which are the focus of development under the state's industry policy, the state must retain controlling interest when they test the shareholding system. At the same time, we must stipulate that a natural person cannot hold more than 0.5 percent of the stocks of any one enterprise. This will basically guarantee the primary role of the public-ownership system in the national economy.

A major problem we are facing today is that the publicly owned shares cannot be traded in the market. The presence of these shares and the fact that they account for a fairly large percentage of all equity rights are important characteristics of China's shareholding system. The inability of large numbers of publicly owned shares to circulate not only violates the principle of equal equity rights and fails to guarantee the preservation and appreciation of the value of the publicly owned shares but also hinders enterprises' efforts to change their management mechanisms, making it difficult to achieve the original goals of the shareholding system. But the trading of publicly owned stocks will involve a host of other reforms—such as reform of the system of property rights in state-owned properties, and it involves the state-owned properties management and administration system and the question of the stock market's ability to handle those stocks. We must study this matter carefully.

3. The question of the pattern of development of the securities markets:

From the point of the internal structure of the securities markets, today, only about 10 percent of the directly-raised capital is raised by stocks. For some time to come, we will still rely mainly on bonds, supplemented by stocks. But currently, the bond market, especially treasury bonds, is in a slump, and we are "crippled." Those involved are working hard to review the experience and are taking effective measures to enliven the national debt market. Secondly, from the point of the distribution and the number of exchanges, there is a fairly wide east-west gap and a north-south gap in the development of the securities markets. Currently, the exchanges in Shenzhen and Shanghai are growing very rapidly; other regions are also actively setting up exchanges. Looking at international experiences, securities exchanges are always spread out in the beginning, but gradually they become relatively centralized. International experiences

also show that a centralized market facilitates the proper allocation of fund resource, but it also tends to create monopoly and leads to inefficiency. More spread-out markets facilitate competition and improve efficiency, but if they are too spread-out, it can lead to market separatism and improper resource allocation. Thus, we must learn from other nations' experiences and lessons in developing securities markets, avoid detours, and make sure that the markets are neither too centralized nor too spread out.

4. The question of setting up a unified securities monitoring and administration system:

To make sure that the monitoring and administration of the securities markets is uniform, efficient, and fair, nations have set up specialized securities monitoring and administration organs. Countries that rely mainly on government departments to administer the stock markets have also set up specialized organs to strengthen market supervision and administration after experiencing stock market disasters. The creation of the State Council's Securities Commission and Securities Supervisory Commission was a first step toward smashing the old pattern of putting too many departments in charge. These two agencies have done much to smooth the relations among different departments and between central and local governments, laying the foundation for our monitoring and administrative tasks.

Based on the securities markets', especially the stock market's, characteristics, we must give full play to the self-disciplinary organs. Therefore, we must turn the Securities Trade Association into a bona fide self-disciplinary organ and strengthen the securities business organizations' own administration and monitoring procedure. In particular, we must give full play to the accounting firms, the law firms, and other civilian "economic police," so as to strengthen social supervision. We must give full play to the securities exchanges' functions, strengthen the supervision and administration of the listing companies, stock exchange members, and the exchange process. In short, while we strengthen the government's supervision and administration of the stock market, we must give even more play to the market mechanisms and set up a securities market supervision and management system to oversee the government management organs, the securities industry's self-disciplinary organs, and the intermediaries at separate levels and make them take responsibility for themselves while working together harmoniously. China's securities supervision and administration system will be perfected gradually as the securities markets develop and as we accumulate experience. The preliminary supervision and administration system we have set up today is a major breakthrough, but there are still many problems and contradictions which have not been completely sorted out, and they must be gradually resolved.

5. The question of developing institutional investors to improve the mix of investors:

Because it is a relatively young market, currently, most investors in China's stock market are individual households. They know relatively little about risks and can afford to take little risk. They are susceptible to rumors and tend to follow others blindly in and out of the market, making the market more volatile and bringing losses to themselves. As the scope of the stock market continues to expand, developing institutional investors becomes a pressing issue. Today, we are in the process of implementing reform of the social security system. We should permit all kinds of insurance funds to get into the stock market in the form of long-term investment. At the same time, we should develop mutual funds and let professionals invest money for the medium-sized and small investors, so as to lower the risks of individual investors and make more profit for everyone. Institutional investors have special significance in China: Once organized, they will turn into legal entities and will no longer be private investments, thus satisfying the principle of making the public-ownership system the primary system and accelerating the development of the shareholding system and the stock market. Meanwhile, investing funds can effectively combat the rich clients' improper manipulation of the market, and we can make investments less of a gambler's game and turn short-term investments into long-term investments. The development of funds will make it easier for the publicly owned shares to be traded in the market and for the party and government cadres to participate. But we must formulate laws as soon as possible, and fund development must be orderly and gradual. We should not develop closed-end funds, however. Some comrades say that closed-end funds are "more like stocks than stocks," and some say they are conducive to "speculations at both ends": At one end, money can be pooled to speculate on stocks, and at the other end, people can also speculate on the fund certificates which are traded in the market. In addition, issuing funds through internal allocation can cause more serious problems than those created by stock issuance. In my opinion, we should develop open-end funds. People can get in and out; the securities are not traded on the market. This is safer and better.

6. The question of using the securities markets to attract more foreign capital:

Since the 1980's, circulation of international capital has been achieved primarily through the raising of share capital rather than debt financing. In the early days of reform and opening up, we relied primarily on foreign businesses' direct investments and commercial loans to attract foreign funds. In the wake of the development of China's securities markets, especially with the rise of the stock market, we have been able to adapt to the changing trends and satisfy foreign business's desire to invest in Chinese enterprises through stock purchases, and the issuance of stock to attract foreign capital has been put on top of the agenda since. Generally speaking, the goal of investing in China and sharing the economic fruits and profits can be reached equally through direct investments and stock purchases; the results are basically the

same. But buying stocks makes the foreign businesses' investments even more versatile. They can buy and sell stocks as a way to choose their investment style and make more profit. Meanwhile, if China should modify or change its policies (or if foreign businesses believe that things are risky), they can promptly reduce or abandon their investment plans in China. Direct investments are not as convenient. Thus, issuing stocks to attract foreign capital is a new, more versatile way of raising capital. For this reason, in 1991, we began experimenting with issuing B-shares which were sold only to people living outside of Chinese territories. It was the first time we used equity rights to raise foreign capital, and it marked the first step in opening up the securities markets. Looking at the results of that experiment, it was a success. Since last year we have been studying Chinese enterprises that listed their stocks overseas. The merit of this approach is that it helps to make Chinese enterprises better known abroad and encourages enterprises to get into the international markets. It also introduces us to the advanced management experiences of foreign securities industry and helps us improve our own management of the securities markets. Through consultation with the Hong Kong United Stock Exchange and Securities Commission and others, and after reaching a consensus, four companies, including the Shanghai Petrochemical Company and Qingdao Brewery, have gone public in Hong Kong with their H-shares since July. They are traded on the Allied Exchange. This move has successfully opened up a new channel for utilizing foreign funds.

Further Developing and Perfecting the Securities Markets

As the socialist market economic system develops further, the securities markets must also become more sophisticated in order to adapt to the ever accelerating rate of economic growth. Thus, our main task in the next stage is to perfect the securities markets' many imperfections.

1. Let the securities markets operate within the scope of a complete legal system:

It is a long process to draw up securities laws and regulations from scratch, and it is a long process to perfect those laws and regulations. Since the formation of the specialized supervisory and management organs last year, we have immediately worked on the formulation of other relevant laws and regulations. The State Council has just formally promulgated the "Temporary Regulations on Managing Stock Issuance and Exchange," and the "Trial Method of Managing the Securities Exchanges" has also been announced by the Securities Commission. These are important steps toward standardizing the ways the securities markets operate.

But China's securities law and regulation system is still imperfect. In particular, the "Corporate Law" and "Securities Law" and other basic laws and regulations

are still being formulated. Today, besides focusing on the formulation of the "Corporate Law" and "Securities Law," we must work on the introduction of the "Method To Prevent Inside Trading and Fraud," "Regulations on the Management of State-Owned Stocks," "Code of Conduct for Securities Industry Personnel," "Method of Managing Domestic Enterprises' Issuance and Listing of Stocks Abroad," and other pertinent laws and regulations and the "detailed rules" of their implementation, so as to help the securities markets operate and develop steadily under a perfect legal system.

2. Smooth out the market's operating mechanisms:

We must have smooth and coordinated market mechanisms in order to give full play to the functions of the securities markets. To perfect China's securities market mechanisms, we must not only learn from international experiences but also take into consideration China's own conditions.

First, we must make the market more transparent, that is, we must make sure that all market information are made public. We did not do this a few years ago. The managing departments only asked that some information be disclosed at the time stocks were issued, and the investors knew very little about the listing enterprises. We did not have a system requiring full disclosure of information about the listing companies. The system of full disclosure is stipulated in the just-promulgated "Temporary Regulations on Managing Stock Issuance and Exchange" and "Detailed Rules on Disclosure of Information on Companies Issuing Stocks." We must strictly enforce this provision.

Second, we must smash separatism and promote the creation of a unified market. We have made great improvements in this area in the last few years, but there are still incidents of regional blockade and disregard of regulations, which obstruct the formation of a unified market. To solve this problem, we must work hard on the system as well as on the technical aspects. For example, we must have uniform laws and regulations, improve the exchanges, and acquire the technology and equipment to accommodate out-of-town membership.

Third, we must study the question of circulation of publicly owned shares. In the pilot projects in the past, those shares basically could not be traded, and only personal shares could be traded in the market, which made it impossible for the stock market to fulfill its function to make structural adjustments of the state-owned asset base. This problem must be solved, but it is a complicated problem, because it involves the property rights system and the system of management and administration of state-owned properties.

Furthermore, we must also reform and unify the listing companies' tax, financial, personnel, and wage systems and so on. We must actively give play to the functions of the intermediaries in the securities markets. We must

further improve the securities markets' settlement and trusteeship systems and support the markets with modern technologies.

3. Standardize enterprises' transformation under the shareholding system:

The shareholding companies operate very differently from the way the state-run enterprises operate. There are strict requirements put on the formers' internal power structure, profit allocation, reward policy, and administration and management. Today, everybody is going all out to transform enterprises under the shareholding system. They ignore standards, procedure, or requirements when reorganizing enterprises, and they have created many problems. Some enterprises just put a new label on the same old thing; their internal management mechanisms and decision-making structure have not changed. Others conceal important information, and shareholders incur losses as a result. Thus, we must exert some pressure and demand that enterprises follow regulations when converting to the shareholding system and that they truly change their management mechanisms, so that we can be sure that the listing companies are of high quality, and in turn, we can promote the stock market's true prosperity.

4. Actively but steadily expand the scope of the stock market pilot project:

To develop the market economy, we must greatly expand the stock market's capacity to meet the demands of enterprises' diverse fund gathering activities. When we improved the markets' laws and regulations and market mechanisms, we also set the policy to expand the stock market pilot project nationwide. This year, in accordance with the relevant economic growth policies and based on the listing capacity of exchanges, every province (municipality) will have one or two enterprises issuing stocks to the public to raise capital. This is an arduous task, because it is a large-scale, far-reaching, nationwide project, and many localities have no experience. We have a lot of work to do. But it is a very important task. It represents a big step forward for China's stock market experiment. The securities markets will make it increasingly easier for enterprises to gather funds. As far as the securities markets themselves are concerned, expanding the pilot project means an important test and promotion of the development and improvement of their management system, the securities exchanges' operating mechanisms, the securities merchants' services, and other intermediary service organizations. On the one hand, it will help us uncover problems and deficiencies, so that we can promptly make remedies, and on the other hand, it will train different types of professionals and lay a sound foundation for future market development.

5. Continue to explore ways to utilize the stock market to attract foreign investments:

So far we have issued 30 B-share stocks. The experiments with B-shares prove that using the stock market to attract

foreign capital is both versatile and effective. With regard to some of the problems in the B-shares market, we will step up efforts to come up with measures of improvement and will continue to experiment with the market.

The trading of H-shares in Hong Kong has basically been a success. The series of documents on laws, accounting, and joint supervision worked out between us and the Hong Kong Allied Exchange and Securities Commission can be valuable when we make use of the securities markets of other major countries to raise funds.

Reform at Communications Bank Reviewed

94CE0256A Beijing JINRONG SHIBAO in Chinese
23 Dec 93 p 1

[Article by JINRONG SHIBAO correspondent Ji San-meng (6060 0005 3718): "Review of the Past and Prospects of the Future Performance of the Bank of Communications—Meeting the Challenges of Financial Reform"]

[Text] The State Council decided in 1986 for the Bank of Communications to resume domestic business operations. The leadership of the People's Bank of China pointed out at that time that this would be an experimental arrangement, that the Bank of Communications would operate as the bank of the reform, but not become a reform target.

What kind of an experiment will it then be, and what kind of a reform?

I. No More Feeding From the "Large Rice Bowl" in the Financial System

The fundamental reasons for this kind of an experiment by China's financial establishment had been the sharp contradictions that had arisen since the start of reform and opening up to the outside world between the pressing needs for capital funds and China's inappropriate financial and monetary system.

Throughout the country, everybody wanted to start up large-scale developments, great undertakings, and new projects. All this needed money, and people rushed to the State Planning Commission and the Ministry of Finance, but that ministry's funds were limited. If some items were serviced, funds were short for others, and then the banks would be asked to grant loans. In the end, as loans were granted year after year, deficits increased year after year. Later, everybody got to know the ingenious way of "business on borrowed money," everybody borrowed from the banks, and economic development was being pursued with much borrowing, as expressed in such common sayings as "much in and much out," "borrow a hen to lay eggs," and "borrow a ship to sail the oceans."

Development was given priority, while reforms were being held up. In all quarters, high and low, right and

left, pressure was put on the banks, as everybody tried to squeeze money out of them.

The organizational system of China's state banks was one of soft restraints, so that anyone clever enough could always squeeze some money out of the banks. If the lower-level banks would be out of cash, they would ask their superior establishments for allocations, and if these higher-ranking banks would be out of cash, they would ask for money supplies from the central bank. "Enterprises were feeding from the 'large rice bowl' of the specialized banks, and the specialized banks were feeding from the 'large rice bowl' of the People's Bank of China." This system of soft restraints left almost no other devices to the central bank and for the state in its macro-regulation and control of the economy than to take administrative measures, which would then "cut everything with one and the same knife." On the other hand, it is characteristic of administrative measures that "applied loosely, they will lead to chaos, and applying stricter restraint, they will be fatal strangleholds." Their remedies will only be superficial, and if applied repeatedly will inflict immeasurable damage on the Chinese economy.

Is there then no better way?

II. Indeed, One Ship Has Already Been Launched on Its Long Experimental Journey

Policymakers in China's financial establishment are now planning to change the said situation: First, a balance has to be established as between development and reform; it is just not possible under the old system of organization to maintain the drive for high-speed development. Second, the state's specialized banks are to be converted into state-owned commercial banks. These banks should truly become financial enterprises with autonomy in their business operations, responsibility for profits and losses, and that operate with self-restraint and responsibility for self-development. Third, separate banks shall be set up for "state policy-directed" operations. These banks shall be specially charged with the handling of all "state policy-directed" financial operations. Fourth, the position and functions of the central bank shall be strengthened. The second point in fact constitutes the core of the entire financial reform.

Reforming the banks as they presently exist will be an extremely protracted and arduous process. The fastest method would be to set up a new bank, operate it as an experiment, and if successful promote the experience on a broader scale. Finally, we may cite the case of the newly reconstituted Bank of Communications, which is already engaged in experimental operations since the end of 1986.

This is the first publicly owned bank of the shareholding system. The central bank, representing the state, is controlling 23 percent of the shares, finance departments of various local governments are holding 42 percent, and various state-owned enterprises are holding 35 percent of the shares.

It is the first bank with a comprehensive sphere of business operations; it has the capability to transact at all times foreign remittance, securities, leasing, insurance, real estate, and investment business.

It is the first bank establishing branches throughout the country according to the location of economic centers, and not according to administrative regions.

It is the first commercial bank with responsibility for its own profits and losses, with autonomy in its business operations, with responsibility for self-development and self-restraints, bearing responsibility for risks taken, and, all of its own, endeavoring to maintain a well-balanced fund situation.

The central bank granted the Bank of Communications a large array of powers, which actually had been of the nature that the various large state-owned special banks at that time had yearned for for a long time. However, the central bank had decisively cut its links with the Bank of Communications as a supplier of funds. If the Bank of Communications should run out of cash, it might as well declare bankruptcy, but will definitely not be allowed to stretch out its hand to demand money from the central bank! This amounts to having the Bank of Communications, even though only recently reconstituted, so to say, fight with its back to the wall.

III. Victory in Its Initial Battle

On 10 December 1986, when the Bank of Communications had been operating in Shanghai on an experimental basis for not quite two months, it is very interesting to hear what some of its customers have to say during this period of its experimental operations.

The director of Shanghai No 7 Watch Factory said: "The Bank of Communications approached us on their own accord three times, inviting us to open an account with them. We have never before met with that much warm-hearted enthusiasm...."

The director of the Shanghai Sports Shoe Main Factory said: "For many years we have tried to raise funds to build a new factory building, but have been rebuffed everywhere. Much steel material has been stored in the open and was getting rusty. It was then that the Bank of Communications helped us out with a loan, 'sending charcoal in snowy weather,' as the saying is...."

After having been in business for four months, the Shanghai Branch of the Bank of Communications had taken in 530 million yuan of deposits at its deposit department; the per capita deposits exceeded 100 million yuan.

Li Xiangrui [2621 4382 3843], the then president of the Bank of Communications, went every day several times personally to the big hall of the bank building. He was that eager to have everybody come to the Bank of

Communications! In the past, when he had been president of the People's Bank, he had never been so concerned about these kind of things.

After four years, the Nanpu Bridge project, that had attracted worldwide attention, has been completed. The one that had undertaken financial responsibility for this huge engineering project was none other than the Bank of Communications, as it had then just started operating.

At that time, the chief engineers were rather contemptuous of the young female whom the Bank of Communications had sent them as head of the bank's loan department. They even asked: "Bank of Communications? Never heard of it?"

After the spring and summer of 1989, the Asian Development Bank temporarily suspended further loans for the Nanpu Bridge project in Shanghai, and work came to a halt. It was then that the Bank of Communications bravely stepped forward, determined to make use of its own banking reputation in the international financial market to raise funds for the project. It was precisely the female employee of the loan department, whom those oldsters had treated contemptuously, who had arduously struggled on her computer for 10 days, produced a plan to raise funds for the project, and who had startled everybody with her expose at the meeting of those in authority, where her plan was immediately approved.

On 17 August 1988, the Bank of Communications issued in Singapore bonds to the amount of \$100 million, which were an immediate success!

IV. Soul of the Bank of Communications: Control of Assets-Liabilities Ratio

A person with inside knowledge of the Bank of Communications once said: "The soul of the Bank of Communications is control of its assets-liabilities ratio."

The basic cause for the phenomenon of "everybody feeding from the big iron banking bowl" was precisely that there was no firm self-restraint in matters of bank loans. The thousands of large and small banks shifted the pressures of society's demand for funds on to the shoulders of the central bank, compelling the central bank to again and again expand its scale, increase its currency issue, and thus create an uncontrolled situation as far as the currency was concerned.

What if all banks could themselves bear these pressures?

The Bank of Communications is a publicly owned bank of the shareholding system. Its ownership is separate from its management right. If it were to run out of money, its shareholders would not stand it, and management would have a hard time.

The Bank of Communications has therefore gradually perfected three large systems: One is the system of controlling the use ratio of funds, the other is the system of supervising and checking the quality of its assets, and the third is the system of composite analysis of its

financial targets. These together may be called "the system of controlling the assets-liabilities ratio and the system of controlling the risks."

The major points of this system are: The total amount of loans must not exceed 85 percent of the aggregate of bank deposits plus capital funds plus annual accumulations. The provision of ready cash must not be lower than 15 percent of total deposits. Fiduciary loans must be limited to within 20 percent of the total amount of loans. Overdue loans must be controlled to within 6 percent. Slow-moving and uncollectible accounts must be controlled to within 3 percent.

The Bank of Communications and its various branch institutions are setting up assets-liabilities control committees at every level. These will effect periodical checks, and on the basis of such decide on the promotion or transfer of managers and on the bonuses and welfare benefits for staff and workers.

Up to the end of last year, the Bank of Communications has not taken a penny of the central bank's money, but even had a deposit surplus of 12 billion yuan over loans. In transactions with associated banks, its short-term loans to them were 10.7 billion yuan above short-term borrowing from them. Overdue, stagnant, and uncollectible loans accounted for 4.66 percent of all loans, and among these the uncollectible accounts amounted to 0.07 percent.

The assets of the Bank of Communications are, within the domestic financial system, undoubtedly first grade quality.

Article on Restructuring Rural Financial System 94CE0255A Beijing JINRONG SHIBAO in Chinese 14 Dec 93 p 3

[Article by Xu Yuyun (1776 7183 0061) of the Agricultural Bank of China: "Several Suggestions on Perfecting the Rural Financial System"]

[Text] When Comrade Xiaoping toured Shanghai in 1991, he said, "Finance is very important. It is the core of the modern economy. Putting our finances in order is like making the right move that wins the chess game." This statement points out succinctly the important role and function of finance in the construction of the socialist market economy. To promote the establishment of the socialist market economic system, the pertinent departments are actively studying and drawing up a financial reform program. Here, this author would like to discuss his views on the overall program and on the development of an agricultural financial system.

In formulating the financial reform program, we must make theoretical preparations and also integrate the program with reality and pay attention to its manageability.

The introduction of reform programs has been slow. There has been one problem after another, and one

important reason for that is that we do not have a clear understanding or a good grasp of the grass-roots situation and therefore the programs have not been very manageable. The central bank is plagued by this problem, and so is the Agricultural Bank. As a result, the old system basically has been rejected, but the new system has yet to be formulated. The rank and file below are uncertain and often cannot carry out even their regular tasks.

In view of this situation, we should pay special attention to the following two issues:

One, the reform measures must be in close touch with reality. We must investigate and study and acquire a good understanding of the situation at the grass-roots level, and thereupon, we can formulate the reform program. At the same time, when the higher-ups formulate a reform program, the grass-roots level comrades should be asked to participate, and their suggestions should be heeded; we must avoid doing everything behind closed doors. We must pay close attention to the manageability of the measures. Only in this way can we start out from reality, seek truth from facts, shoot the arrow at the target—have a specific goal, and pour water off a steep roof—operating from a strategically advantageous position. Only then can we avoid unnecessary repetition and loss and the reform measures can be put into effect successfully.

Two, we must be decisive in implementing financial reform and try to achieve our goals in one step where possible. After the reform measures are introduced, we must implement them with resolution. If the new system is not quickly established, the army's morale will be shaken and the troops will be unstable, and some organs may become shortsighted—behaving improperly from the ideological and organizational point of view, which will adversely affect their everyday tasks and in turn jeopardize the entire economic development. We must be decisive when decisions are called for; otherwise, we may incur huge losses. Agricultural Bank's profit is down this year. That has something to do with the slow pace of the restructuring of the economic system and our indecisiveness. The grass-roots organs have been too eager to get their freedom and find their own fortune and have not settled down to work. Some of the original measures have been suspended, and the grass-roots offices have lost their initiative and their enthusiasm. The second point is that we must try to achieve our reform goals in one step where possible. We might as well cut short the lingering pain and do what we set out to do as quickly as possible and then settle down to tackle our work. We must keep this principle in mind when installing organs and arranging systems and personnel-hiring mechanisms. We should treasure and seize the opportunity before us and do a good job with the reform of the financial institutions, give full play to the central role of finance in a modern economy, and promote the establishment of China's socialist market economic system and the economy's sustained, smooth, and speedy development.

With regard to rural financial reform, the Third Plenary Session of the 14th Party Central Committee's decision pointed out that China's Agricultural Bank should be reorganized to take on clearly defined policy-oriented business and that rural cooperative banks and urban cooperative banks should be set up step by step where necessary. The Central Committee's decision was a correct one. The rural financial system should be put in the context of the overall situation. Specifically, I have the following suggestions:

The idea of setting up agricultural policy-oriented banks is correct, but we must pay attention to their efficiency.

In terms of the restructuring of the rural financial system as a whole, it is essential that we separate policy-oriented from business-oriented undertakings. This suits today's condition of rural economic reform and facilitates the restructuring of the rural economy and the financial system as a whole. If we fail to make the separation, specialized banks cannot emerge as commercial banks. As far as the rural financial system is concerned, it still has arduous agricultural aid, poverty relief, and economic development responsibilities. The separation can help to guarantee the fulfillment of those responsibilities.

What are policy-oriented banks? It is difficult to define policy-oriented undertakings. The line between policy-oriented and business-oriented undertakings is often blurred. Does policy-orientation necessarily imply money-losing ventures? This is not necessarily true.

One, what are policy-oriented banks? Policy-oriented banks or policy-oriented undertakings refer to supporting certain projects in accordance with the government's macro program or industrial policy or intention. This kind of support does not seek immediate profit, but in the long-run, it does produce economic benefits, although it takes a longer period of time. The principle behind fund utilization is profit maximization. Some of the large-scale policy-oriented projects the Agricultural Bank once supported, such as the Huanghuahai development and the Sanjiang basin development projects, were also profit-oriented. Our overall goal is to turn banks into bona fide banks. Policy-oriented banks are also banks. If they keep losing money, they will not be banks. This point should be made very clear.

Two, policy-oriented banks' fund sources: One source is funds which the state used to appropriate but now lends out to banks. They are state funds. Another source is the central bank's basic currency (re-lending funds). This guarantees some low-cost funds. A third source is the citizens' savings deposits and enterprise deposits and so on which the policy-oriented banks themselves must work hard to attract. When they make loans, they can be business-oriented and should make sure that there is profit to be made, or at least they are not lending money at below cost. This is clearly different [as published] as commercial banks do business.

Three, the installation of policy-oriented banks: We must consider fully the realities of rural economic development and install organs according to economic divisions, such as in agricultural development areas and old liberated, minority nationality, border, and remote areas; we should install fewer or no organ in the coastal and other economically well-developed regions. Policy-oriented banks can handle some commercial business, but commercial banks must not seek funds earmarked for policy-oriented undertakings. This is a necessary administrative intervention; otherwise it will dampen the enthusiasm of policy-oriented banks. These banks' organ installation, fund sources, and interest policy must give expression to the term "policy-oriented." They should be selective about certain reform-oriented undertakings; they can enhance their ability to tackle policy-oriented undertakings.

Four, policy-oriented banks must assume diverse functions. The goal is to turn them into open, multipurpose, and modern banks. They should handle international businesses, including utilizing funds from the World Bank, Asian Development Bank, and United Nations' Food and Agricultural Organization, but they must not bring in foreign commercial loans.

In short, first and foremost, policy-oriented banks are banks. They are not government agencies nor institutions, nor are they the old, single-purpose Agricultural Bank. When we plan, organize, and operate policy-oriented banks, we must put them in the context of an international environment and the greater environment of the market economy.

The installation of rural commercial banks must be within definite regional boundaries.

China's rural areas have gone through more than a decade of reform, and the development of the market economic system has actually preceded that in the urban areas, and the rural economy, especially the market economy, has developed rapidly. It now requires the services of other compatible financial institutions. The rapid growth of all types of enterprises in the rural areas can provide fund sources for the commercial banks, and facilitated by the bank's services, they can further develop. A strong and well-developed rural economy can provide more tax revenues for the state. This creates a benign cycle.

The installation of commercial banks require definite regional boundaries. Commercial banks should not be set up in poverty-stricken regions; otherwise, they may draw funds away from the policy-oriented banks. In the economically well-developed regions, the Agricultural Bank should be reorganized into a commercial bank. Commercial banks should be set up according to international standards. We should smash all kinds of rigid conventions, so that many commercial financial institutions can exist in the same region, creating a competitive situation and promoting better services.

It should be pointed out that setting up policy-oriented banks is not the wisest choice. We should say that it is but a transitional measure. Even after the policy-oriented banks are set up, we still need a state-policy to guide the commercial banks. For example, the state should have an incentive policy when commercial banks voluntarily grant policy-oriented loans. The general principle is to walk on two legs and make sure that the state's policy-oriented undertakings are accomplished. In this respect, we can learn from the successful experiences of France and Thailand and other nations.

Reform of the rural credit organs should give expression to the principle of providing classified guidance and step by step implementation.

When talking about reform of the rural cooperative financial institutions, it should be pointed out emphatically that they were created and developed at a time when the cooperative agricultural economy and the productive forces were underdeveloped, and therefore we must give full expression to the principle of classified guidance and step by step implementation. In regions where the market economy is well-developed, resources are regulated primarily by the market; the environment has changed, the management standards are higher, and they are financially stronger. People whom the cooperatives used to serve and who bought shares now own only nominal shares. Credit cooperatives exist in name only today; the cooperative economic base is gone. Therefore there is a need to reorganize them into agricultural cooperative banks. Promptly setting up urban cooperative banks is practical in the economically better-developed cities. In the poverty-stricken regions, the commodity economy is underdeveloped; they still have a natural or semi-natural economy. Individual producers have limited financial strength; they need the services of credit cooperative-type organizations. Because this kind of regional credit cooperative is small in scale, they cannot be managed like cooperative banks. We must not use the same measures across the board or lump everything together; we must deal with different situations in different ways. The rise and fall of rural credit cooperatives throughout history should be a lesson to us.

FOREIGN TRADE, INVESTMENT

List of Second Batch of Revoked Internal Documents

94CE0203A Beijing GUOJI SHANGBAO in Chinese
18 May 93 p 2

[MOFTEC Announcement No. 2, 1993: "List of the Second Batch of Revoked Internal Documents"]

[Text] 1. Circular on the Publication of "Guiding Principle for Signing and Approving Contracts To Bring in Foreign Technologies" ([90] MOFERT Comprehensive Technology Code No. 1)

2. Circular on Strict Examination Before Approving the Use of Foreign Capital To Raise Prawns ([87] MOFERT Capital Code 4 No. 17)
3. Circular on the Publication of "Supplementary Explanation on the Management of Import-Generated Foreign Exchange" ([88] MOFERT Foreign Exchange Accounting Code No. 822)
4. Circular on Some Businesses that "Use Export To Support Import" Adopting the Regulations Pertaining to Settlement Based on Prices Quoted in Foreign Exchange ([86] MOFERT Foreign Exchange Accounting Code No. 669)
5. Circular on the Method of Calculating and Allocating the Foreign Exchange Base To Be Delivered to the Central Authorities for the 15 Types of Export Commodities Under the State's Unified Management ([88] MOFERT Foreign Exchange Accounting Code No. 1648)
6. Circular on Amending and Supplementing the "Trial Implementation of the Agent System To Deal With Foreign Parties in Projects Planned and Arranged by the State To Bring in Foreign Technologies" ([87] MOFERT Import Accounting Code No. 919)
7. Temporary Regulations on Borrowing and Transferring Economic-Aid Goods and Materials and Personnel for Use in Contracted Engineering Projects Abroad ([79] Foreign Economics Code 5 No. 1072)
8. Circular on Promulgating the Temporary Method of Providing Daily Necessities To Personnel in Foreign Contracted Engineering Projects and Other Paying Projects ([80] Foreign Economics Code 4 No. 151)
9. Circular on Gradually Changing the Situation of Excess Overtime and Extra Hours Claimed by Our Workers ([81] Foreign Economics Code 4 No. 832)
10. On the Method of Using International Mail To Deliver Workers' Personal Mail ([81] Foreign Economics Code 4 No. 862)
11. Circular on the "Temporary Regulations on Contracting Engineering Work and Providing Technical Services in Hong Kong and Macao" ([81] Foreign Economics Code 4 No. 740)
12. Temporary Regulations on Requiring Foreign Contract Companies To Obtain Licenses When Setting Up Offices Abroad ([82] MOFERT Cooperation Code No. 1)
13. Circular Relaying the "Summary of Consultations on Engineering Project Bids and Labor Price Quotations" ([83] MOFERT Cooperation Code No. 123)
14. Circular on Contractors, Workers, and Joint Venture Personnel Implementing the "Regulations on Clothing Cost of Personnel Traveling Abroad on Foreign Aid Missions" ([84] MOFERT Cooperation Code No. 178)
15. Reply Regarding Wages Paid to Domestic Contract Workers ([85] MOFERT Cooperation Code No. 115)
16. Circular on the Trial Implementation of "Examination and Approval Procedure and Management Method for Setting Up Nontrade Joint Venture Enterprises Abroad" ([85] MOFERT Cooperation Code No. 19)
17. Circular on the Trial Implementation of the Method of Paying Foreign Wages to Our Chefs Working in the United States ([85] MOFERT Cooperation Code No. 82)
18. Circular on Setting up Offices Abroad To Coordinate Contracted Labor and Services Projects ([85] MOFERT Cooperation Code No. 108)
19. Circular on the Matter of International Economic and Technological Cooperation Companies Setting Up Offices Abroad ([85] MOFERT Cooperation Code No. 107)
20. Circular on Matters Concerning Chinese Companies Contracting Labor and Service Projects in the United Arab Emirates ([85] MOFERT Cooperation Code No. 123)
21. Relaying the Iranian Foreign Ministry's Notice on Entry Procedure ([85] MOFERT Cooperation Code No. 42)
22. Circular on Matters Concerning the Contracting of Engineering and Other Labor and Service Cooperation Projects in Czechoslovakia, Dong Lian (phonetic), and East European Nations ([85] MOFERT Cooperation Code No. 119)
23. Suggestions on Contracting Engineering and Labor and Service Cooperation Projects in Iraq in the Future ([86] MOFERT Cooperation Code No. 10)
24. Circular on the Publication of "Request for Instruction on Several Urgent Problems Regarding the Setting Up of Joint Venture Enterprises Abroad and in Hong Kong and Macao" ([86] MOFERT Cooperation Code No. 16)
25. Circular on Consolidating Our Contracting Companies in Thailand ([86] MOFERT Cooperation Code No. 51)
26. Circular on Matters Regarding the Contracting of Engineering and Labor and Service Cooperation Projects in the Soviet Union ([86] MOFERT Cooperation Code No. 54)
27. Circular on Matters Regarding Cooperating With Philippine Companies ([86] MOFERT Cooperation Code No. 80)
28. Circular on Rectifying and Consolidating Joint Venture Enterprises Abroad ([86] MOFERT Cooperation Code No. 75)
29. Circular on Improving the Quality of Bid-Tendering Documents ([86] MOFERT Cooperation Code No. 90)

30. Notice on Progress Made in Labor and Service Cooperation with the Eastern European Nations ([86] MOFERT Cooperation Code No. 71)

31. Circular on Matters Regarding Chinese Companies Contracting Engineering and Labor Service Cooperation Projects in Singapore ([86] MOFERT Cooperation Code No. 119)

32. Letter Reiterating Several Matters Concerning Our Sending Chefs To Work in the Federal Republic of Germany ([86] MOFERT Cooperation Code 2 No. 105)

33. Several Suggestions on Contracting Engineering Projects in Nepal ([87] MOFERT Cooperation Code No. 19)

34. Circular On Relaying the Temporary Method of Supplying Machinery and Electrical Goods Needed by Import-Export Companies in Their Foreign Contracted Engineering Projects ([87] MOFERT Cooperation Code No. 81)

35. Letter Regarding the Publication of "Guide To Actual Expropriation Payments" ([87] MOFERT Cooperation Code 2 No. 68)

36. Circular on Matters Concerning the Equipment and Materials and Workers' Daily Necessities Related to Foreign Contracted Engineering Projects and Enterprises Abroad Brought Out of the Country by International Economic and Technological Cooperation Companies ([88] MOFERT Cooperation Code No. 82)

37. Response to the Question of Economic and Trade Cooperation With Taiwan in Zaire ([88] MOFERT Cooperation Code No. 44)

38. Circular Regarding Chinese American Zheng Sheng [6774 5116] (John Cheng) ([88] MOFERT Cooperation Code No. 125)

39. Letter Regarding Prompt Report on Contracting Engineering Projects and Labor and Service Cooperation Businesses in the Soviet Union ([88] MOFERT Cooperation Code No. 2 p 117)

40. Circular Reiterating the Need To Strengthen Foreign Affairs Discipline and Education of Workers Involved in Foreign Labor Contracts ([88] MOFERT Cooperation Code 2 No. 120)

41. Notice On Experiences and Lessons From Labor Cooperation Projects in the Fishery Industry in Some African Nations ([88] MOFERT Cooperation Code 2 No. 126)

42. Circular Requiring Our Personnel Working on Foreign Labor Contracts To Comply Strictly with the Laws and Regulations of Nations Where They Are Stationed ([88] MOFERT Cooperation Code 2 No. 162)

43. Circular on the Temporary Implementation of "Letter of Approval For Importing Goods By Contractors of Engineering or Labor Cooperation Projects and

by Joint Ventures in the Soviet Union and Eastern Europe" ([89] MOFERT Cooperation Code No. 11)

44. Circular on Rectifying and Consolidating Investment Enterprises Abroad ([89] MOFERT Cooperation Code No. 53)

45. Circular on the Matter of Seeking Advice From Our Embassy in the Soviet Union on Setting Up Non-Trade Joint Venture Enterprises in the Soviet Union ([89] MOFERT Cooperation Code No. 99)

46. Circular on Matters Regarding Sending the First Batch of Ordinary Technical Workers to Hong Kong ([89] MOFERT Cooperation Code No. 101)

47. Circular on Properly Adjusting China's Policy Toward Contracting Labor and Service Projects in South Africa ([89] MOFERT Cooperation Code No. 103)

48. Circular on Matters Regarding the Opening of the Labor Service Contract Market in Saudi Arabia ([89] MOFERT Cooperation Code No. 151)

49. Circular on Matters Needing Attention Regarding Mutually Beneficial Economic Cooperations With the Soviet Union and the East European Nations ([90] MOFERT Cooperation Code No. 47)

50. Circular on the Publication of the Minutes of the Coordination Meeting on Pricing Labor and Services in Libya ([90] MOFERT Cooperation Code No. 47)

51. Circular on Issuing the "Procedure and Method of Examining and Approving the Contracting of Engineering and Labor and Service Cooperation Projects and the Setting up of Joint Venture Enterprises in the Soviet Union, Mongolia, and Korea" ([90] MOFERT Cooperation Code No. 93)

52. Circular on Matters Regarding Supplying Hong Kong With Ordinary Labor Services ([90] MOFERT Cooperation Code No. 129)

53. Circular on Matters Needing Attention Regarding Economic Cooperations with Bolivia ([90] MOFERT Cooperation Code No. 124)

54. Letter of Reply Regarding the Setting up of International Economic and Technological Cooperation Companies and Their Branches ([89] MOFERT Joint Management Code No. 15)

AGRICULTURE

Agriculture Minister Interviewed on Rural Problems

94CE0240A Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese No 11, 20 Nov 93 pp 3-9

[Article by Han Jun (7281 0193): "Use of Intensified Reform Methods To Solve the Problems That Rural Villages Face—An Interview With Minister of Agriculture Liu Jiang"]

[Text] The Minister of Agriculture, Comrade Liu Jiang, recently agreed to be interviewed by this journal's deputy editor. During the interview, he set forth systematically his own views about the current state of agriculture and the rural economy, as well as how to concentrate on the reform goals of building a socialist market economy system, intensifying rural reform, and steadily developing the rural economy. The substance of the interview has been collated below for the reader.

Remarks in italics are those of this journal's deputy editor, Han Jun.

Remarks in regular type are those of Minister Liu Jiang.

Ever since 1992, China's national economy has been in a new stage of making an all-out transition to a market economy and high growth. During this period, some incongruities in the development of agriculture have manifested themselves rather strongly. Agricultural problems have once again become a focus of general concern for society as a whole. Not long ago, the Central Committee convened a special rural work committee meeting in this regard, which studied strategic approaches and specific actions to be taken to buttress the basic position of agriculture, and to move China's agriculture and rural economy another step upward in the course of building a socialist market economy system. Against this background, how do you look at the current situation in agriculture and the rural economy?

Overall, the situation in agriculture and the rural economy throughout the country is good. Since the remarks of Comrade Xiaoping during his travels in the south, and the Fourteenth Party Congress' setting of the reform goal of establishing a socialist market economy, the pace of rural reform and development have quickened appreciably. In 1992, more than 2,000 counties, 282 prefectures and cities, and 29 provinces (autonomous regions and directly administered municipalities throughout the country decontrolled grain procurement and marketing prices. In 1993, command-style plans in agricultural production and plans for the allocation of grain among provinces were abolished throughout the country. Second, a large number of all sorts of new rural economic organization forms have come to the fore. These include share cooperative system enterprises, peasant vocational (and technical) associations, rural cooperative funds, and organizations that integrate trade, industry and agriculture. Third, agricultural production is developing steadily, and readjustment of the internal structure of agriculture has quickened further. A bumper grain crop was harvested for 4 years in a row between 1982 and 1992. In 1992, national grain output reached 442.66 million tons, up 1.7 percent from the previous year. Output of all crops except cotton, which fell 20 percent due to natural disasters, increased in varying degrees. Animal husbandry and aquatic products production maintained a steady growth momentum, outputs of meat and aquatic products nationwide increasing 9.1 and 15 percent respectively over 1992. During the first half of 1993, summer grain production

reached an all-time high, and the outlook for grain production for the whole year is much better than was estimated at the beginning of the year. Between January and June, outputs of all major farm products increased in varying degrees except for rape seed, which fell 12.5 percent. Outputs of meat, dairy products, eggs, and aquatic products increased 5, 3, 5, and 9.7 percent respectively over the same period in 1992. Not only did total output of farm products increase, but agricultural production began to change from mostly efforts to increase outputs to gaining "higher yields, premium products, and high returns." Output of premium quality agricultural products increased steadily. Fourth, township and town enterprises entered a new stage of high growth. In 1992, the gross output of township and town enterprises totaled 1.76 trillion yuan, up 51 percent from the previous year. During the same year, more than 9 million new people entered the rural work force. Rural staff members and workers totaled 105.81 million, which is more than the total number of staff members and workers in state-owned enterprises. Foreign exchange earnings from exports in 1993 broke the 119.2 billion yuan mark, accounting for 42 percent of the total value of commodity procurement for export nationwide. Tax payments to the state totaled 63.69 billion yuan, 18.23 billion yuan more than in 1992. Township and town enterprises continued to maintain a high speed growth momentum between January and June 1993, gross output value increasing 70 percent over the same period in 1992. Fifth, peasant income increased. In 1992, peasant per capita income nationwide grew more rapidly than during the previous three years, reaching 784 yuan. After deducting for price rises, this was a 5.9 percent increase. After deducting for price increases, peasant income increased by an actual seven percent between January and June 1993. In short, advances in rural reform, and rapid growth of the rural economy played a leading role, a ground breaking role, and a model role in hastening the development of a market economy nationwide. They lay a foundation for promoting growth in the entire national economy, and they provided the basic material support needed to enrich the livelihoods of city and countryside residents alike, to curb inflation, and to maintain social order.

While fully affirming the achievements in rural reform and development of recent years, it is also necessary to understand clearly that both the development of agriculture and the rural economy are facing numerous deep-seated inconsistencies and limiting factors in a new situation in which the national economy is making a complete transition to a market economy and high growth. The most conspicuous manifestation of these inconsistencies are, first, city and countryside residents incomes are not increasing at the same rate. The gap between city and countryside income has widened further. Between 1989 and 1992, peasant per capita net income increased by an average only 1.8 percent per year. This was very much out of line with the annual average 5.2 percent increase in the gross output of agriculture. The slow growth of peasant income contrasts

sharply with the income growth of city and town residents. The gap between city and countryside income has increased from the 1.72:1 ratio of 1984 to a 2.33:1 ratio in 1992. Agricultural production increases, but peasant income does not increase along with it. In fact, it may even decrease. This is a grim problem that China's agriculture has faced in recent years. Second, industry and agriculture do not grow in unison. The danger of a recurrence of unbalanced growth of industry and agriculture exists. In 1992, the industrial growth rate was 20.8 percent, making 1992 the highest growth year since reform and opening up to the outside world. The growth rate for agriculture was 3.7 percent. This included only 1.2 percent growth in farming. The growth ratio between industry and agriculture was 5.6 to 1. During 1993, industrial growth momentum remains very strong. The gap between industrial and agricultural growth remains very great. The high growth of industry has led a large rise in the prices of all intermediary input prices, the cost and price of agricultural means of production rising greatly in consequence. As of the end of June 1993, prices of the agricultural means of production had risen 16.5 percent, while the procurement price index for agricultural and sideline products for the same period rose less than 6 percent. At the same time, driven by comparative benefits, large amounts of agricultural development funds flowed into non-agricultural industries. Consequently, investment in agriculture—particularly medium and long-term investment—is seriously inadequate. Historical experience shows maintenance of a between 2.5:1 and a 3:1 ratio between the speed of industrial and agricultural growth to be about right. The present state of affairs can go on for a short period, but if it continues, the present fairly balanced supply of agricultural products will be replaced by a shortage of supply. If that happens, agriculture cannot be supported, and the whole national economy will once again sink into a vicious cycle requiring major readjustments. Third, rural regional development is unbalanced. The gap between the central and western parts of the country and the developed areas of the east coast has widened. A look at the overall rural economy shows a gross social output value ratio among rural villages in the east, central, and western parts of the country to have widened from the 1:67:3 of 1980 to 1:44:22 in 1991. Central and western China have 36 and 23 percent respectively of the country's population, but their rural social gross output value amounts to only 25 and 12 percent respectively. Fourth, rural surplus manpower movement pressure has increased. Statistics show a surplus rural manpower of approximately 120 million in these areas of the country. Because of the high population base figures, rural manpower will reach a respective 490 million and 540 million by 1995 and 2000. The average annual manpower increase will be more than 13 million. If 5 million members of the rural work force move to the nonagricultural sector each year for the next 15 years, by the year 2000, a newly added surplus manpower numbering 64 million will remain in the rural villages. When this is added to the existing surplus manpower of approximately 120 million, total

surplus rural manpower will be close to 200 million people. How to find opportunities for such a huge rural surplus rural manpower will be a thorny problem that will dog us for a long time to come.

In short, we must take a comprehensive point of view, a dialectical point of view, and a realistic point of view about the situation in agriculture and the rural economy. We must not overestimate the overall production capacity of agriculture just because of the increase in agricultural products for several years running. We must not overestimate the prosperity of the peasants simply because their standard of living has improved considerably. We cannot be blindly optimistic about the rural situation just because great achievements have been scored in rural reform. Nor should we be negative and pessimistic. We must realize the tremendous potential and the favorable conditions for sustained development of agriculture, and we must realize that work in agriculture and the rural villages faces quite a few new circumstances and new problems. There is potential, opportunity, and hope for development of the rural economy, and there are also contradictions, difficulties, and dangers.

Since 1992, the State Council has inaugurated a series of policy measures aimed at buttressing agriculture and protecting the peasants' interests. How well are these policies being implemented?

The series of agricultural policies that the State Council inaugurated were welcomed by the broad masses of peasants. Governments and departments concerned at all levels devoted major efforts to implementing these policies, and implementation of these policies played a major role in stabilizing agriculture and protecting the enthusiasm of the peasants. For various reasons, however, results from various jurisdictions implementation of policies have varied somewhat from the Central Committee's expected goals. Take the issuance of the "two monies," for example, the main problems with which were late issuance and a low rate for getting the money to households. The policy did not play its intended role. Take also implementation of the policy of a floor price for peasant grain sales and a ceiling price for peasant means of production purchases about which every jurisdiction reported problems. One complaint was that the standard used in setting the floor price of grain was too low; thus, it afforded the peasants hardly any protection. The second complaint was that since Central Committee policy provisions protected only fixed procurement and grain slated for storage, jurisdictions were uncertain as to whether the floor price also applied to negotiated price grain. Third, the ceiling price for agricultural means of production was subject to change. In implementation, the ceiling price might even become the floor price for the means of production. Implementation of the grain and cotton "three links" materials price reform additional price policy brought little real benefit for the peasants. The way that summer grain and oil procurement funds were handled meant that money was largely at hand in most places for the

procurement of state fixed procurement grain and oil, and grain slated for storage, but in most places no arrangements were made or money was not available for the procurement of negotiated price grain and oil. In order to avoid issuing IOUs for procurement, some places refused to buy. This meant that at the state grain production and marketing meetings held to place orders, and contracts for the allocation of grain among provinces were also hard to implement completely. Every jurisdiction also paid extraordinarily close attention to implementation of the policy of lightening the peasants burdens, but since the peasants burdens issue has such broad ramifications and is so complex, true implementation of the policy is very difficult, and the task is extremely daunting.

For a long time in China, lip service has been paid to agriculture but little action taken. All sorts of policies emphasizing agriculture have frequently been very difficult to put into practice, so much so that many people refer to agriculture as "slogan agriculture." This should make people think long and hard. What do you think are the main reasons for the "slogan agriculture" problem in China?

There are rather profound and complex reasons for the rise of the "slogan agriculture" problem. Historically, when neither agriculture nor light industry was fully developed following founding of the People's Republic, and per capita national income was very low, we relied on the large size of the country and the role of the planned economic system. We used the exchange at unequal value of industrial wares for agricultural products to take money directly from the agricultural sector, giving priority to the development of heavy industry. This was completely necessary given the special historical circumstances of the time. However, despite no practical difficulties for a long time, we have not changed our development strategy in a timely fashion. On the contrary, in order to ensure long-term implementation of this strategy, the state has adopted a series of mandatory policies for the separation of industry and agriculture, and for separating cities from the countryside. Large amounts of money have been extracted from the rural villages. At the same time, rural manpower has been confined to rural villages and shackled to the land. The result is serious imbalance between the development of industry and agriculture and between the development of cities and the countryside. This has led, in turn, to the formation of traditional agriculture in China, a dualistic economic structure in which rural villages and modern industry and cities coexist, and a bifurcated social structure. This is an important reasons why development of China's agriculture has been in a stagnant and backward state for a fairly long time since founding of the people's republic. The policy environment that emphasizes heavy industry while slighting agriculture, and emphasizes the cities while slighting the countryside has not been fundamentally changed today. It continues to hamper seriously the development of China's agriculture and its rural economy.

The insufficiently developed rural economic system is also a basic reason for China's agricultural problems. After 15 years of reform, an embryonic rural market economy system has taken shape; nevertheless, the rural economic system is very much incomplete both at the microeconomic and the macroeconomic levels. One of the ways this is expressed is in the insufficiently developed rural microeconomic operating system and the rural property rights system. Peasant family authority to make their own operating decisions is still not as complete as it should be. The second way it is expressed is in meshing single peasant household small scale production with domestic and international markets. At the present time, the main operating entities in China's agriculture are the more than 200 million peasant households that practice family contracting of production, each household farming less than 10 mu of land. They produce all kinds of farm products on a small scale. They specialize but little. However, they face constantly expanding markets. Because farm products markets are poorly developed, because trading methods are backward, operating rules rudimentary, the degree to which the peasants are organized is low, and the development of intermediary organizations to link peasants with markets lags, it is difficult for the peasants to use effectively the information transmittal, and production regulation functions that the market mechanism provides. Faced with markets, many peasants are frequently at a loss. A third way in which the incompleteness of the rural economic system is expressed is in the process of making a transition to the market economy system. Most of the regulation and control methods that the government used in the past, which consisted mostly of administrative means, no longer apply; however, no agricultural macroeconomic regulation and control system that meets needs for the development of a socialist market economy has been established as yet. Government lacks sufficiently effective macroeconomic regulation and control methods for implementing agricultural policies.

Subjectively, neglect of agriculture is an important reason for China's agricultural problems. The party and the government have always devoted extremely close attention to agriculture. Nevertheless, in actual practice, driven by the lack of separation between government administration and agricultural management, and their own interests, some local jurisdictions and government agencies have single-mindedly pursued increase in the scale of investment in industry and greater output value. Manpower and material resources, as well as investment, have been too much tilted toward non-agricultural industries. In particular, as a result of the consecutive year bumper harvests in agriculture of recent years, and the general difficulty selling staple farm products, some comrades mistakenly suppose that China's agriculture has turned a corner, or they are no longer concerned about the overall situation. Influenced by such thinking, some places have relaxed leadership of agriculture. Today, when the central authorities are calling for stable grain and cotton production to increase effective supply,

to calm peasant sentiment, and to maintain social tranquility in the cities and countryside, local jurisdictions are primarily concerned with development of the local economy and increasing fiscal revenues. Furthermore, it is unrealistic to expect the banks, grain agencies, and supply and marketing agencies, which combine policy and business functions in a single body, not to consider their own interests in carrying out government policies. The mixing of government agency interests, the interests of business concerns, and government functions has produced distortions in the execution of policies. Delay in issuing the "two funds," the diversion of funds, and the substitution of materials for loans are examples. Some grassroots level cadres and peasants complain that "the central authorities provide the money; the local government makes an effort; the peasants suffer; government agencies gain; and everyone is dissatisfied."

So what do you see as the way out of China's agricultural problems?

During the past several years, the Central Committee and the State Council have held a series of important meetings on agriculture and the rural economy. The Central Committee Rural Work Conference, in particular, broke much new ground on rural policy. It did much to increase investment in agriculture, and this was extremely encouraging to our comrades who are engaged in agriculture and rural work. It will, no doubt, play a positive role in stirring the zeal of the peasants. If we just act in accordance with the plans and policies that the Central Committee and the State Council prescribe, firmly implement them, do a solid job, and wholeheartedly do real deeds for the peasants, there will be great hope for development of China's rural economy. Specifically, this means using the intensification of reform, expansion of deregulation, optimization of the structure, and increasing investment to solve fundamentally the various deep-seated inconsistencies and problems faced in the development of China's agriculture. For starters, we must first fundamentally change the longstanding dualistic economic structure and bifurcated social structure that emphasizes industry while slighting agriculture, and that emphasizes the cities while slighting the countryside. We must establish a development strategy for integrated development of industry and agriculture, the cities and the countryside. Right now, we must intensify macroeconomic regulation and control, to hold the scale of social investment and the speed of industrial growth within the limits that agriculture can bear. In addition, we must enhance the basic position of agriculture in the course of increasing macroeconomic regulation. We must also accelerate the movement elsewhere of surplus rural manpower. This is a major problem of strategic and over-arching importance in the future development of China's national economy. Small cities and towns must permit the peasants freely to enter and leave jobs in industry or commerce. County seat city, market town, and small city policies permitting peasant entry must be broadened. Doing this requires rapid reform of the household registration, labor employment, and social

security systems, actively exploring new population control measures that are in keeping with needs of a market economy.

Second, further intensification of a rural microeconomic operating system, rural ownership rights system, rural commodity circulation system, and government macroeconomic regulation and control system reform is needed to meet the reform goals that the 14th Party Congress set for the socialist market economy in order to hasten the establishment and perfection of the rural economy's operating mechanism and control system based on the market mechanism.

First the output-related household contract responsibility system and the two tier operating system have become basic systems in China's rural economy. They should be stabilized for the long term. In order to encourage the peasants to increase their investment in the land, the farmland contracting period should be lengthened to permit farming rights on land to be passed from one person to another for payment according to law. The already formed land contracting relationships should not be changed capriciously. In townships and villages having developed non-agricultural industries where an overwhelming majority of the work force has already left the land, subject to approval of the masses, methods such as sub-contracting, transfer of contracts, and services in partnership may be employed to obtain various kinds of economies of scale. Farming that offers the economies of scale must be practiced in places where conditions warrant; the wishes of the peasants must be obeyed; and caution employed in action. In no case may there compulsion and commandism be used. For most places today, the most important matter in perfecting the rural microeconomic operating system is to provide the peasants with better services before, during, and after production by improving the socialized service system for agriculture. In particular, processing, and commodity transportation and sales services are needed. Proper guidance should be given in this regard that leads gradually to family-based farming on a proper scale.

Second the stabilization and perfection of the microeconomic system in agriculture should be used as the basis for exploring actively reform of the rural property rights system. Currently, quite a few jurisdictions practice the dividing up among households of shares in collectively held assets. This effectively handles the problem of maintaining collective ownership of the means of production while also getting around the difficulty of peasant households having no innate connection with collectively held assets. It is an extremely beneficial test. The joint stock cooperation system is currently being developed very well in every jurisdiction. For the country as a whole, it is still in the exploratory stage. It must developed in a fairly standardized direction whether formed after the former township and village collective enterprises convert to some other form, whether its is formed by individual peasants in partnership, or whether it is formed through lateral share participation among various legal entities. The raising of

capital, financing, and organization of the elements of production must be improved and, more importantly, the important goal of clearly defining equity rights and transforming enterprises operating mechanisms must be realized. The goal of rural land equity rights system reform is to use clear affirmation of ownership rights for collective land as a basis for encouraging the transfer for compensation of land contracting rights, thereby fostering markets for the circulation of land use rights.

Third is greater reform of the farm products circulation system to guide the smooth entry into the market of peasants and agriculture. Deregulation of grain and edible oil prices is not yet complete; we must press ahead with further deregulation. Conditions must also be created for the gradual deregulation of cotton, flue-cured tobacco, and silkworm cocoon prices, procurement, and marketing. In addition, government can exercise regulation and control that reduces market fluctuations by establishing a reserve system and a price regulation system. A large country like China with a population of 1.1 billion will have to maintain the procurement of a certain amount of important farm products such as grain. However, procurement prices must be set equitably on the basis of the laws of value, and with reference to farm product supply and demand, production costs, and price ratios. In addition, all other farm products should be completely deregulated and be bought and sold freely. In order to stabilize the relationship between procurement and marketing, it is suggested that production and marketing of freely bought and sold products be linked, procurement and marketing contracts signed.

Now that farm product prices and procurement and marketing are being gradually deregulated, how to organize scattered, small peasant producers for orderly entry into markets is an extremely important question. In foreign countries, the formation of cooperatives has been an effective answer. During the 1950s, China also set up supply and marketing cooperatives and credit cooperatives. However, for reasons known to all, these cooperatives ended up being "government run." Since reform, the flexibility in operation of these cooperatives has improved greatly; however, they still lack a mass character organizationally, and a democratic character administratively. While persisting in reform of both supply and marketing cooperatives and credit cooperatives, we should emphasize the nurture and development of peasant cooperative organizations such as various kinds of vocational associations, and operating organizations that combine farming, breeding, and processing; production, supply, and marketing; and trade, industry, and agriculture.

Intensification of rural commodity circulation system reform requires the further building of a market mechanism. If one sees price deregulation as a quick variable [kuai bianliang] in policy, then the building of markets is a slow variable [man bianliang]. Without markets, fluctuations in production will intensify. Therefore, continued development of all kinds of country fair markets and specialized markets is necessary. Specifically, major

efforts should be made to develop wholesale markets, and to foster futures markets to form a farm products marketing system based on country fair markets in which wholesale markets serve as the hub and futures markets play a vanguard role. At the same time, close attention must be given to various kinds of production element markets. At the present time, special emphasis should be placed on the development of manpower, financial, and information markets.

Fourth is greater government macroeconomic regulation and control for the building and perfection of a social security system in agriculture. In a market economy, as a basic industry and as a weak industry, agriculture requires strong government regulation and control, support and protection. Much work must be done in this regard, but mostly in the following four areas: 1) Study and formulation of a development strategy. Government's administration and control of agriculture must consist primarily of administrative means of control transformed into close study of a medium and long-term development strategy for agriculture and the rural economy, and the drawing up of implementation plans; study of the formulation of an industrial policy; organization and coordination of the building of major agricultural base facilities and agricultural product bases that cut across jurisdictional lines, including management of investment; issuance of prices for leading farm products and market information; and directing overall balance between supply and demand for farm products. 2) Use of fiscal subsidies. In a market economy, government support for and protection of agriculture is expressed mostly through fiscal subsidies. Every country in the world subsidizes agriculture to some extent. Formerly, the national treasury provided very few direct subsidies to agriculture, most of which were applied to the commodity circulation realm and to consumers. A change will have to be made to mostly subsidize agricultural production and industries that serve agriculture. 3) Use of price supports. When government uses support prices for the procurement of staple farm products such as grain, the support price must be set on the principle of production costs plus a reasonable profit. When the market price is lower than the floor price, government must purchase at the floor price. Over the long term, the state must institute support prices in agriculture, set up a risk fund, including a production risk fund, a price risk fund, and a reserves regulation fund. 4) Perfection of the major farm products special reserve system. Government must set a reasonable size reserve, and gradually separate special government reserves from commercial stocks. 5) Support for the development of socialized service organizations for the spread of agricultural technology. Service agencies for the spread of technology such as farm technology, farm mechanization, animal husbandry and veterinary medicine, aquatic products, forestry, and water conservancy technologies are government institutions at the grassroots level. To a very large extent, they are like a social benefit institution. They provide major backstopping for the provision of socialized services to agriculture. If science and technology are

to play to the full a decisive role in the development of agriculture, close attention must be given to agricultural education, to scientific research, and to the spread of technology. In a market economy, government fiscal support is the key to scientific research in agriculture, and to the survival and development of agencies that spread technology. Right now, the spirit of the "Agricultural Technology Promotion Law," and documents about stabilization of agricultural sector institutions and teams issued by "the five ministries and one commission" must be strictly enforced. The practice of using reduction of fiscal burdens as a pretext for cutting agricultural sector institutions operating expenses, or even to "divest" or "wean" them must be resolutely halted. Continuity in agricultural sector institutions and agricultural technology promotion teams must be increased, and necessary fiscal support provided for the development of endeavors such as agricultural science and technology research and the spread of technology. Making structure reforms should begin from what benefits the development of agriculture. Problems with the subordination of the "five stations" at the grassroots level of agriculture must be solved, all jurisdictions suiting general methods to specific circumstances and not acting with "arbitrary uniformity." In addition, science and technology at the grassroots level must be improved, the study of applied technology spread, and the storehouse of science and technology increased. The storehouse of high and new technology for "high yield, premium quality, and high return" agriculture, and for the prevention and control of livestock diseases and insect pests, in particular, must be increased to enable science and technology to make agriculture prosper.

Third, once grain and cotton production have been stabilized, the rural industrial structure should be boldly readjusted as market demand requires. In adjusting the kinds of grain crops, more wheat and corn, which are in short supply, as well as readily marketable medium and premium quality rice should be grown. In the farming sector, more high economic value raw materials for industrial processing should be grown. In the overall agricultural sector, animal husbandry, the breeding of aquatic products, and forestry and orchards should be better developed. In the rural economy, major efforts should be devoted to the development of township and town enterprises, particularly in the central and western parts of the country. In the development of township and town enterprises, a policy of "active support, rational planning, correct guidance, and strong control" should continue to be employed. At the present time, glaring problems requiring solution in the development of township and town enterprises are the imbalance in development between the eastern and western parts of the country, the widespread dispersal over a wide area of such enterprises, and their fairly low returns. The first requirement is improvement of operating mechanisms, perfection of the contracting system, and development of a stock share cooperative system that enable the maintenance throughout of a flexible and effective operating

mechanism. Second is the development of small industrial zones, development of small industrial zones powering the construction of small cities and towns, which spur, in turn, the development of tertiary industries, the conservation of energy, the availability of transportation, the lowering of energy consumption, and the reduction of pollution, while simultaneously soaking up more manpower. Third is the need to improve product quality in every way possible, succeeding with quality and establishing a firm foothold in the market economy. In the course of readjusting and optimizing the rural industrial structure, one problem that must be given extremely close attention is the need to tilt policies in favor of grain and cotton production. Once grain and cotton production in major grain and cotton growing areas has been substantially stabilized, major efforts should be made to develop secondary and tertiary industries to increase regional economic strength.

Henceforth the state must concentrate all kinds of investment in both agriculture and non-agricultural industries in the major grain and cotton producing areas. It must also build a number of namebrand, special, premium, and new product bases, poultry and livestock bases, and livestock feed production bases, as well as agricultural and sideline products processing bases in principal grain and cotton growing areas. Henceforth, in general, the state should no longer increase agricultural sideline product processing and production capacity in non-production areas and in cities. Agricultural and sideline product processing firms already located in cities should also be moved to rural or production areas in a planned way. Business concerns and production and operating concerns in major grain producing areas that meet requirements should be given exporting authority.

Fourth is greater investment in agriculture to raise agriculture's overall production capacity. The key to improving the position of agricultural bases lies in improving the overall production capacity of agriculture. In view of the country's agricultural development goals by 2000, overall production capacity of China's agriculture must be increased. An agricultural investment system must be formed in which the state plays the leading role that encompasses the state, collectives, and individual peasants. In accordance with the provisions of the "Agriculture Law," the national treasury must annually invest in agriculture an amount that is higher than the increase in regular national fiscal revenues. Capital construction investment in agriculture covered by state plan and within the national budget, and investment in industries that serve agriculture should be increased year by year to increase the disbursement of funds for the capital construction of agriculture as a percentage of all investment in capital construction within the national budget. Macroeconomic control of investment in agriculture outside of budget should be improved for good management and use of development funds and other special purpose funds for agriculture. The increase in agricultural loans should be slightly higher than the increase in bank loans nationwide, and

the percentage of loans for policy purposes, such as medium and long-term low interest loans for agriculture should be increased.

Raising the overall production capacity of agriculture means putting energies into the building of grain, cotton, edible oil, and sugar production bases. While paying attention to the building of the old bases, attention should be given to a second group of commodity bases during the Eighth 5-Year Plan, the overall production capacity of the country's commodity grain base counties account for half the country's commodity grain. In addition, a number of premium quality cotton bases, and a number of sugar crop production bases should be newly built.

Comprehensive development of agriculture should be continued. Comprehensive development of agriculture has been a major measure for strengthening agriculture pursued since 1988. Central government investment, local government matching funds, public fund raising, and special purpose agricultural loans for this purpose total more than 5 billion yuan each year. The development encompasses more than 900 counties and some state farms throughout the country. Development during the past several years has increased the production capacity of major agricultural products, including more than 20 billion jin of grain and more than 7 million dan of cotton. The comprehensive development of agriculture must be conducted with greater intensity in future, emphasis given to the improvement of intermediate and low yield fields and cultivated land reclamation, protection of agricultural resources, improvement of the ecological environment, and the development of ecological agriculture.

Finally is the lightening of peasant burdens, increasing peasant income, and protecting peasant rights and interests. In the final analysis, agricultural problems are peasant problems. "When the peasants are poor, agriculture does not prosper." Peasant income has increased only slowing in recent years. Not only has this directly affected investment in agriculture adversely and seriously dampened peasant interest in farming, but it has also seriously limited overall national economic growth. If the goal of a comfortably well-off standard of living by the end of the present century is to be reached, peasant per capita net annual income will have to rise more than 5.7 percent. The basic goal of China's future agricultural policy should be synchronous increase in the supply of agricultural products and peasant income. Increasing peasant income requires, first, the broadening of sources of income, meaning development of the rural economy. Second is checking the loss of peasant income, meaning reducing peasant burdens. Reduction of peasant burdens must be a task that is conducted unflaggingly over a long

period, the peasants' burdens gradually being standardized and put under the legal system.

Thank you very much for the interview.

Heilongjiang Estimates 1994 Soybean Output

94CE0257X Harbin HEILONGJIANG JINGJI BAO
in Chinese 4 Jan 94 p 3

[Summary] In 1994 gross output of soybeans in Heilongjiang Province could reach 3,790,000 tons; 258,000 tons will be used as seed; 736,000 tons will be used for feed; 244,000 tons will be used for urban consumption; 111,000 tons will be used by industry; and 1,342,000 tons will be shipped to other provinces. The market price for soybeans is expected to drop to 1.60 yuan per kilogram in the spring because the soybean area has increased in the north. Soybean demand has decreased in Europe, and soybean prices have dropped in international markets. The Heilongjiang provincial government has stipulated that no soybeans will be shipped to other provinces prior to fulfillment of contract orders.

Hubei Reports Late Autumn Crop Area

94CE0257U Wuhan HUBEI RIBAO in Chinese
13 Jan 94 p 1

[Summary] In 1993 the autumn, winter crop area in Hubei Province totaled 2,821,550 hectares, an increase of 28,180 hectares, or 1.74 percent over 1992. The grain area totaled 1,650,970 hectares, a 1.74 percent increase. The wheat area was 1,261,820 hectares; the barley area was 78,070 hectares; the pea area was 116,830 hectares; the potato area was 188,600 hectares; and other grains were 5,650 hectares. The rapeseed area was 618,790 hectares, and the green manure area was 257,840 hectares.

Jiangxi 1993 Cotton Output, Area

94CE0257S Beijing ZHONGGUO FANGZHI BAO
in Chinese 3 Jan 94 p 1

[Summary] In 1993 gross output of cotton in Jiangxi Province reached 150 million kilograms. The 1993 cotton area was 2.5 million mu. The area sown to fine varieties of cotton accounted for 85 percent. In 1993 the per unit area yield of ginned cotton increased from 73.2 kilograms in 1992 to 75.5 kilograms.

Jilin Fulfills Grain Storage Plan

94CE0303A Beijing JINGJI RIBAO in Chinese
3 Feb 94 p 3

[Summary] As of 31 January, Jilin Province had put 4.37 billion kilograms of contract grain in storage, fulfilling the 1993 plan. No IOUs were issued. Gross output of grain in Jilin in 1993 reached 19 billion kilograms.

Shandong Cotton Procurement Declines

94CE0257Y Beijing ZHONGGUO FANGZHI BAO
in Chinese 22 Dec 93 p 1

Summary] As of 9 December, national cotton procurement totaled 31 million dan. Shandong Province had procured 2,380,000 dan, a 30 percent decrease from the same period in 1992. Gross output of cotton in Shandong will be only 5,430,000 dan, and procurement 4,250,000 dan. Of the 61 state-owned large and medium-sized textile enterprises in Shandong, 12 have not been allotted cotton. As of 6 December, 49 enterprises had received 186,000 dan, fulfilling 13.8 percent of the plan. By year end 50 percent of the enterprises will have to stop production. Textile exports account for one-third of foreign exchange earned in Shandong, once exports decline it will be hard to make up the loss.

Shandong Rural Economy, Farmer Income Increase

94CE0257Z Beijing NONGMIN RIBAO in Chinese
7 Feb 94 p 1

[Summary] In 1993 the gross value of agricultural output in Shandong Province was 99.4 billion yuan, a 14.3 percent increase over 1992. Per capita farmer net income was 952.7 yuan, after deducting for inflation the actual increase was 6.1 percent.

Sichuan Receives World Bank Loan

94CE0303B Chengdu SICHUAN JINGJI RIBAO
in Chinese 3 Feb 94 p 1

[Summary] In March 1993 the World Bank and the Chinese government signed a loan for \$5 million to support the construction of a veterinary service center in Sichuan Province.

Publishing Business 'Moving Towards Marketization'

94CM0116A Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 12, 16 Dec 93 pp 50-53

[Article by Dong Fangse (2639 2455 5331): "Zhou Hong Signs First Deal as 'Indentured' Writer, Xinwen Publishing Office To Mop Up Publishing's Strange Births"]

[Text] China's publishing circles, in the midst of a sales boom, are rapidly moving towards marketization.

Publishing Houses Eye Throwing Themselves Into the Market

In the past, mainland publishing houses only put out books in accordance with the plan, not paying attention to market attitudes and the interests of readers, with the result that after new books were published, nobody was interested in them, warehouses were overstocked, and readers also did not buy books that they really needed. Now, a publishing house's profits are linked with its books sales volume, and as many publishing houses are starting to eye throwing themselves into the market, great changes are brewing for China's publishing houses.

Best Selling Books in 1993

According to a recent survey, the best selling books on the mainland fall primarily into the following categories:

1. Steady selling trend for well known foreign best-sellers.

In 1993, various bookstores' stocks of well known foreign best-sellers were generally low, while sales of stock items had not yet fallen. Hangzhou City bookstores in the first half of the year saw a 24 percent increase in this aspect of their sales compared to a similar period in 1992. In addition, the majority of well-known foreign works come in two types, those that contain little that is Chinese in essence, and those editions that are popularized and simplified. The selling trends for these two types of editions are impressive, with the latter a result of their low cost and the fact that they are favored by college students and working class people.

Five Great Works by the "Shaanxi Army's Eastern Expedition"

Among the modern popular novels, the novels of people like Su Tong [5685 4547], and Liu Zhenyun [0491 7201 0061] are selling comparatively well. Shaanxi author Jia Pingao's [6328 1627 0425] novel *Ruined Capital* [Feidu], Chen Zhongshi's [7115 1813 1395] novel *White Deer Country* [Bailu Yuan] and the novels *Ardent Destiny* [Reai Mingyun], *The Last Hun* [Zuihou Yige Xiongnu], and *Eight Li of Kindness and Hatred* [Bali Qingchou] by several other authors from Shaanxi Province, constitute the Five Great Works by the "Shaanxi Army Eastern Expedition," which all at the same time have won initial success in the Chinese literary world. Jia Pingao's novel *Ruined Capital* has both been called a "modern day Jin

Pingmei," and received attention at home and abroad, and allegedly the reprintings of the book now exceed 500 thousand copies.

2. Acrobatic opera novels are making a comeback.

While acrobatic opera novels have generated a greatly expanded group of readers, many people view this type of book as addictive; particularly, the acrobatic opera novels *Jinyong* and *Gulong*, which to this day remain best-sellers at local newsstands.

3. On the spot business literature and financial and economic type popular novels are popular.

For example, the twenty odd novels of the Hong Kong female writer Liang Fengyi [2733 7685 0308] such as *Nightmares of the Rich* [Haomen Jingmeng] and *Hua Kuijie* are selling very well. In China, where the number of readers has mushroomed, there are few readers who still dislike this type of book.

4. Literature about foreign lands is in great demand.

Following in the path of such novels as *A Beijinger in New York*, and *A Chinese Woman in Manhattan*, the novel *Lugia: A Beijing Girl in New York* is selling well. In addition, the books of a number of Taiwan and Hong Kong authors such as Xi Murong [1598 1970 5554], San Mao [0005 3029], and Qiong Yao [8825 3852] have already become big sellers.

5. Biographies of famous persons are still very popular.

Biographies of famous persons, such as *Historical Selections of Mao Zedong*, *At the Wedding of Chiang Kai-shek*, *The Biography of Zhou Enlai*, and *My Father, Deng Xiaoping* are all in great demand. A number of biographies of famous foreigners, such as Franklin D. Roosevelt, Winston Churchill, and Charles De Gaulle are also unable to keep up with demand.

6. Specialized books are more and more in demand.

There is a tremendous amount of demand for this type of book, and as long as the contents are practical, the quality is high, and the editing is not disorderly, they will sell very well indeed. For example, books of an economic genre such as *The Complete Book of World Trade*, *Dictionary of Accounting*, *Real Estate Investment*, *A Guidebook for Brokers*; medical type books such as *Color Atlas of Chinese Medicinal Herbs*; books on historical relics such as *Illustrated Dictionary of Chinese Bronze Mirrors*, and scientific type books such as *An English-Chinese Scientific and Technical Dictionary*. Though these books are high-priced, because of their practical use, they are also books that specialists must be equipped with, hence they are very much in demand.

7. Daily living type books and various types of juvenile and children's reading material.

When it comes to daily living type books such as *A Handbook of Family Medicine*, *Use and Maintenance of*

Household Electrical Appliances, and various types of cookbooks, books on cosmetics, or weaving, though there appears to be much duplication in the published items, each edition seems to be selling quite well. Various types of books for juveniles and children compiled to develop the intellect and increase knowledge are also selling very well.

New Symbols of Striding Towards the Market: Authors Signing Agreements and Competitively Priced Manuscripts

Authors signing agreements and competitively priced manuscripts are two to the most recent signs that the mainland publishing world is striding towards the market.

Publishing a good book requires having a good manuscript, yet over the past several years the many of the payments for books for authors on the mainland have been from 30 yuan per thousand characters, to 50 yuan per thousand, with the highest figures reaching around 100 yuan. In the current situation, when the economy is developing so rapidly, levels of consumption are extremely high, and these types of fees for books written have made it very difficult to attract writers. Some writers, to make ends meet, have had no choice but to abandon the pen and go into business. For some period of time, writers went overseas, and this has resulted in a lack of good manuscripts, hence salacious and low-grade works have flooded the market.

Without a good source of manuscripts, publishing houses have been very hard pressed. Some publishing units have broken through traditional manuscript standards, and adopted an approach calling for superior prices paid for superior manuscripts, vying for a good draft over a period of time, and capturing the market. In October of 1993, the Shenzhen Youth Magazine House and the Guangdong Province Periodical Commercial Development Company sponsored a public competition for outstanding manuscripts, an activity genuinely directed towards entering into market competition for the manuscripts of mainland authors.

On October 28, 1993, the mainland's first time ever outstanding manuscript competition was launched in Shenzhen. There were more than 30 manuscripts entered, and among them were some 14 on-the-spot type literary works, occupying an overwhelmingly dominant position. In addition, there were also novels, movie scripts, examples of prose, essays, academic works, specialized papers, and popular historical material. Some well known writers such as Zhang Xianliang [1728 6343 0081] participated in the competition, though a large number were up and coming young writers.

The China Pacific Insurance Company's Shenzhen Branch supplied guaranteed insurance for the guaranteed minimum price of the competitively priced manuscripts. The units participating in the competition included numerous domestic and foreign publishing, television, and radio organizations and entrepreneurs.

The very first to strike a deal was author Shi Tiesheng's [0670 6993 3932] short story "Others" [Bieren] and the young theorist Wang Donghua's [3769 2639 5478] social science treatise "The New Academics" [Xin Daxueren] which were bought by the Shenzhen Airport Lounge Company, Ltd. for 8000 yuan and 80,000 respectively. One privately run enterprise head offered an opening price of 3000 yuan per thousand characters and purchased a manuscript by Liu Xiaoqing [0491 2556 1987] titled "From Movie Star to Millionaire," and other manuscripts also by and large were sold to industrial and commercial enterprises.

When it comes to competitive pricing of manuscripts, mainland authors and publishers have differing views.

Does Putting Literature on the Market Foster an Impulsive Spirit in Literary Circles?

Peoples' Publishing House head and editor-in-chief Xue Dezhen [5641 1795 7201] is rather in agreement with this. He states that the price of a manuscript in the final analysis must be regulated by the unseen hand of the market. He believes that though competitively pricing manuscripts using this method meshes with the market, it is an assault on mainland publishing circles' traditional approach involving the planned economy and administrative fiat, and will be very beneficial for increasing the quality of cultural products and promoting a change in the thinking of publishing circles.

Art critic Ma Ye [7456 0048] thinks that the essential significance of the competitive pricing of manuscripts lies in the fact that it has made it possible for a market for culture to be established in China. Let those men of letters who have abandoned literature engage in business return to their own heartfelt occupation, and compete in the "ocean of literature." He disclosed that the original manuscript of Jia Pingao's new work *Ruined Capital* was bought by the Beijing October Art Publishing House for 150 yuan per 1000 characters (the printing impression manuscript price was separately calculated), and if it the deal had been done using competitive pricing, this would have had an altogether different effect on the author, on the publishing house, and on the social effect and benefit of the work.

Some authors express concern and wearied bewilderment when it comes to competitive pricing of manuscripts. Six writers, including Zhang Jie [1728 3381] and Cong Weixi [0654 4850 3556], withdrew en masse from the reviewing committee for this effort at competitive pricing of manuscripts. Author Liu Xinwu [0491 1800 2976] believes that a market for literary manuscripts should not be the basic method to solve the problem. Literary works, though they possess the properties of a commodity, at root also fall into the category of spirit, and whether or not putting literature on the market fosters an impulsive spirit in literary circles, it gives rise to money worship and cultural philistinism.

There are also writers who hold that after market behavior has played itself out, whether or not this is

contrary to the initial intention, it pulls down the market for literary manuscripts into the vulgar realm of an arena for commodity transaction.

Confronting the concerns of literary and art circles, one figure from the publishing world points out that when it comes to literary manuscripts, two mechanisms should be established: First, the state should provide protection, and second, things should be allowed to move towards the market.

It is reported that at the conclusion of this activity involving the competitive pricing of manuscripts, the organizing committee established a permanent organization in Shenzhen for dealing in manuscripts, which will become a collection and distribution center for mainland manuscripts.

Zhou Hong, the First "Indentured" Chinese Writer?

In fact, at the same time as the Shenzhen manuscript competitive pricing market was closing, the China Youth Publishing House and the author Zhou Hong [0719 3163] signed an agreement which has caused no small amount of rumblings within publishing circles on the mainland. Some people believe that Zhou is in fact the mainland's first "indentured" writer, because the contract stipulates that for the next three years, Zhou must fulfill obligations for writing books in accordance with the overall plan of the China Youth Publishing House. If the publishing house does not agree with a selected topic, Zhou has no right to write about it. One older writer commented: "For the writer, the most important thing is that when he writes, he must have freedom of mind, and a distinctive individuality; if he is only working in accordance with another's intentions, what will he be able to produce?"

But there are also those who hold that because the publishing house handles everything, the writer has no fear problems back home, and can write while setting his or her mind at rest.

Changing the Situation of "Read a Manuscript, Do Not Worry, Return the Manuscript, Do Not Pay Money, Agree on Eating from the Common Pot, Printing Takes Three and a Half Years"

The China Youth Publishing House Director Hu Shouwen [5170 1343 2429] states that they "purchased" Zhou Hong with the primary intention of upsetting the balance of the publishing houses still under the old system. Because its interests are bound together with those of the writer, the publishing house will change the past cycle and rhythm of the type "read a manuscript, do not worry, return the manuscript, do not pay money for it, make an agreement on eating from the common pot, print after three and a half years," and stimulate reform. He comments that this publishing house will by stages and in groups "purchase" writers, hoping to have a plan to promote the mainland's own writers who are in great demand, such as San Mao, Qiong Yao, and Jin Yong, and guide and capture over the long term the market for

popular literature that the old line publishing houses have felt beneath their notice.

Zhou Hong's collection *A Warning to the Chinese People* was the most popular and in demand set of books in China for the first half of 1993. As for his status as "indentured," Zhou says that this stems initially from the need to subsist, but he hopes that other writers do not walk this path, "because literature after all requires a group of people who resolutely refuse to bend to the popular will."

Centers for Buying and Selling Book Numbers: A Strange Birth From Mainland's Publishing Circles

According to international practice, to issue a book it must have a number, and the "Chinese Standard Book Numbers" are the symbol of the right to publish that the government gives to publishing houses. They are issued by the China ISBN Center free of charge and supplied to publishing houses for their use. The buying and selling of book numbers happens when a publishing house takes a "Chinese Standard Book Number" subordinate to that house and sells it to a non-publishing unit or another publishing house. This in essence is an illegal publishing activity.

The buying and selling of book numbers had already emerged in China in 1984, and in recent years has become more and more prevalent. According to relevant administrative department statistics, book numbers sold by publishing units over the course of a year constitute some 10 percent of the total books published in the mainland. Figures from the Xinhua Book Stores and departments that publish scientific research believe that the real number is higher than this.

The factors that have generated this buying and selling of book numbers have two primary aspects: First, publishing house editors have little power, publishing funds are seriously inadequate, and houses have a book number but are often powerless to publish a book; second, a "second channel" of distribution is rapidly developing, and some portion of the newly formed collective, and individually owned book businesses, are one by one switching from retail to wholesale, and from wholesale gradually getting involved in publishing, hence book numbers something that are in high demand among these businesses. Some publishing houses, to solve the issue of funding, will take their own book numbers and sell them for several thousand yuan up to 10,000 yuan to collective and individually owned book businesses, and these businesses, as long as they pay around a 10,000 yuan "management fee," can hope to turn a generous profit of from 10-fold to several tens-fold. This is virtually becoming a market in the buying and selling of book numbers.

Because the buying and selling of book numbers is lucrative, more and more non-publishing units and individuals are becoming interested. Those buying and

selling book numbers have gone from the original collective and individually owned book businesses, government units, and individual writers, and expanded to nearly all levels of society, including bookstores, printing plants, and educational institutions.

"Brokers of Culture" Emerge In Accordance With the Times

The trading in book numbers has given rise in publishing circles to a situation that has caused concern to many: A group of "brokers of culture," who reap unfair profits through selling book numbers, has emerged in accordance with the times; this group panders to the market and panders to vulgar popular taste and vulgar literary style books and periodicals. According to a survey, of the pornographic and salacious books and those with "political problems," from 80 to 90 percent had book numbers that were purchased.

In addition, the buying and selling of book numbers disrupts the normal order of publishing house administration, books are manufactured in a rough and slipshod manner, quality is seriously reduced, and it reduces the number of planned books that a publishing house can produce, hindering the publishing of good books and literary works.

The China Xinwen Publishing Office has issued repeated injunctions prohibiting the buying and selling of book numbers. From 1989 to 1990, dozens of publishing units had their house number revoked because of buying and selling of book numbers. In September of 1993, as the whole society was engaged in an anticorruption initiative, mainland publishing circles again proposed the "resolute rooting out of the corrupt behavior of buying and selling book numbers." But whether or not this practice, with its strange origin, can really be eliminated on the mainland will await conscientious implementation by publishing circles and strict supervision by every level of society.

The Fraud of "Foreign Book Numbers"

When the "Chinese Standard Book Numbers" were a hot topic, some foreign publishing organizations also looked at mainland practice, using pleasing phrases such as "to assist mainland publishing houses in resolving funding difficulties," and "to assist mainland authors in giving expression to their intellectual achievements." They also peddled so-called "international book numbers," and "Hong Kong book numbers," and reaped unfair profits from this.

Most of those engaged in this sort of activity were figures who in recent years have left the mainland to live in Hong Kong. They register in Hong Kong a fictitious local publishing house, and because they have no way to publish and issue hot-selling books, they use differences between the mainland and Hong Kong's local publishing system, and take worthless local Hong Kong book numbers to the mainland to sell at a high profit. They normally go through two channels: The first is to send a

large number of book number purchase order lists to relevant departments and writers; the second is to engage in selling book numbers for excessive profit through representatives on the mainland.

The China Xinwen Publishing Administration Department has taken measures to curb profiteering in "international numbers." According to a public announcement by Chinese authorities: There are around 10 Hong Kong publishing organizations engaging in illegal buying and selling of book numbers in China, including such outfits as the Tianma Book Company, Ltd. and the South Pacific Publishing House.

Fraud involving "foreign book numbers" has meant that many mainland authors who have been successful for many years only to have their works exchanged as "illegal publications," and there are even some people who, wanting to publish a book, buy a book number, and then borrow money, sustaining irreplaceable losses. Disseminated news stories have warned mainland writers "to be careful and protect against being duped," while the China Xinwen Publishing Office has also issued to various locales "Notification Relating to Prohibition of Sale of Hong Kong and Taiwan Book Numbers on the Mainland." It is reported that at present activity in illegally profiteering in "international book numbers" has already been somewhat curtailed.

"Sweeping Up Pornography" and "Cracking Down on Illegal Publishing"

Since July 1987 when the mainland first launched an extensive "anti-pornography" campaign, it seems that every year an anti-pornography or "attack illegal publications" campaign is undertaken. However, because management of the publications market is chaotic, printing houses put profit making first and pornographic publications have the attraction of high profits, resulting in the fact that there is an incessant wave of pornography, and the creators of pornographic materials are constantly changing their appearance and adopting new countermeasures.

Since early in 1993 an extensive anti-pornography campaign has been underway, and this has forced illegal smuggling activity around various coastal locales to be more and more underground and secretive. Many areas have formed "transprovincial" and "transnational" trust type underground organizations, which have even been expanding into black market operations.

Bookstalls Primarily Hitting "Edge Balls"

A large number of bookstalls, meaning the proprietors, when offering pornographic materials for sale in the midst of a bustling metropolis, adopt the tactic of hitting "the edge ball." The front cover titles are brimming with the seduction of violence and lewdity, but in reality the contents often stop short of this, and they cannot be equated with "pornography." For example, "Husbands and Wives Talk About Sex and Love," "Robbers of the Flesh in Action," and no small number of picture albums

of the human body, collections of portraits all have extremely seductive cover titles, while the contents cannot be considered to have "exceeded the boundaries [of decency]".

Early in 1993, the amorous novels of the Qing and Ming periods all the rage on the mainland were part of this situation. These books to a lesser or greater extent all have vigorous men and amorous females, and because they do not involve questions of publishing rights, some publishing houses reproduce large numbers, and most also attract readers with covers that advertise things like "Qing period bawdy novel." Sometimes one book will be out in editions from several publishing houses. In addition, books related to *Jin Pingmei* such as *Jin Pingmei Words and Expressions*, *Fan Jinlian and Li Pinger*, and the *Western Gate Day* [*Ximen Qin*] are also of this ilk.

Something that is different from hitting "edge balls" occurs in some areas of Guangdong, where some pornographic publications under names like "New Wave novels," "Three Level novels," "Modern novels," or "selection of best-selling books," actually have contents that are really quite obscene. The majority of these books draw materials from foreign pornographic publications, and rearrange things through piecing together and clipping and pasting. Almost every two or three weeks a new set of "new wave novels" appears at bookstalls, and among this variety of items, the quantity of pornographic material is high, a ferocious force, making people surprised that this is happening in China. Why local authorities in Guangdong are not controlling this is even more strange.

In June and July of 1993, relevant departments on the mainland again launched an anti-pornography campaign. In Beijing alone there were eight cases that were investigated, with proper actions taken against the "production of pornographic materials," "trafficking in pornography" and engaging in illegal publishing activity. Seven "nests of wholesalers" were ferreted out, more than 230,000 items of contraband goods and illegal publications were seized, including more than 40 types of obscene publications totalling more than 110,000 items; some 3225 illegal videocassette tapes were seized, as were 12,700 illegal audiotapes, and any further rise in the tide of pornography has been controlled. The Xinwen Publishing Office again stresses that "sweeping up pornography" and "cracking down on illegal publications" are important matters related to the basic line, and must resolutely be maintained, constantly grasped with no letup.

Thaw Literature In Soviet Union, China Compared
J4CM0111A Paris MINZHU ZHONGGUO
[DEMOCRATIC CHINA] in Chinese No 18, Nov 93
pp 58-61

[Article by Zhong Weiguang, (0112 4850 0342), Chinese scholar in Germany: "Thaw Literature Struggles To Break Free From Ideology"]

[Text] Forty years of CPC rule on the mainland has destroyed more than cultural relics, physical landscape, and material production. Most catastrophic is the destruction it has wrought on China's fine tradition, more accurately, the best things in human tradition: Sound moral values and a robust ability to distinguish truth from falsehood. What makes it worse is that these statements apply not only to the masses, but also to intellectuals, and not just conservative intellectuals, but so-called advanced and radical intellectuals as well. Communist rule totally stripped almost two entire generations of intellectuals of a moral sense of honor and disgrace. This is precisely why the sins of the party remain unforgivable even after a thousand years.

As far as the mainland intellectual is concerned, upon re-entering the world following the political thaw, his foremost mission is to do some self-examination, regain his ability to think properly, and return to the right starting point. However, the developments in the past decade have not been totally satisfactory. What really accounts for this state of affairs? In my opinion, the most important reason is that people have lost their spirit of honest self-examination. The overwhelming majority of mainland intellectuals have grown accustomed to the dogmatic self-righteous Marxist way of criticizing the world. We cannot expect Chinese intellectuals to regain on their own the self-doubting spirit of the modern theory of knowledge overnight. Moreover, the mainland having been isolated for years, not only was there a lack of communication with the outside world, but the two generations of intellectuals have completely lost their foreign linguistic abilities. In the early days of openness, therefore, the mainland was a society with an extremely limited capacity for interacting with the rest of the world. Having said that, China is a vast country with much living space for the above-mentioned intellectuals. Moreover, eventually the world must wake up to China's existence. In a sense, therefore, international exchange had a negative result in that it encourages parochial arrogance, complacency, and conservatism among Chinese intellectuals. Third, because they speak the same language and with their capacity for healthy change that comes from being part of the world, Chinese intellectuals in Hong Kong, Taiwan, and overseas should have been a powerful driving force and catalyst for change in the intellectual world on the mainland during this brief transitional period. That, however, has turned out to be wishful thinking. Instead, it is Hong Kong and Taiwan which are being engulfed in a wave of "mainland fever." Only a handful of insightful scholars have pointed out, politely, the errors of mainland intellectuals. But even they fail to understand why mainland intellectuals could have made such obvious mistakes. In reality, "mainland fever" points up some of the problems in Hong Kong, Taiwan, and the overseas Chinese community.

"Mainland fever" has directly contributed to the apathy and arrogance of some mainland intellectuals. Even as the diehard faction of the CPC forced them out with guns following the collapse of the democracy movement

in 1989, they still have not done any soul-searching or established any serious contacts with Hong Kong, Taiwan, and overseas Chinese scholars during their visits to Taiwan and other countries in order to find out how the latter approach or research an issue. They remain engrossed in expansive specious arguments about the masculine principle and other stuff. Compare them to the human rights movement in Eastern Europe, to intellectuals like Havel and you see a most striking difference.

Ma Yueran [7456 1878 3544], a Swedish Sinologist, told Taiwan LIAN HE PAO reporters in October 1986 that no Chinese has ever won a Nobel Prize for literature primarily because of a translation problem. Ever since then, the confidence of mainland writers has been on the rise on a daily basis. Just about everyone believes he is world-class. How pertinent are Ma Yueran's comments? Or do they merely show that he still lacks a genuine feel for the Chinese language, that as a Sinologist he is on shaky ground as soon as he starts talking about poetry and literature? Be that as it may, because of his unique standing, his remarks had a big impact on the literary community in mainland China. What he said also raises such questions as: How should we look at mainland literature today? How should we interpret literature? I would like to discuss these questions by comparing contemporary Chinese literature to that of Eastern Europe because the new generation of writers and poets on the mainland that I know well, represented by TODAY, as well as myself have been deeply influenced by the thaw literature of Eastern Europe, especially the Soviet Union, as we were growing up in the early 1970's. Relying on nothing more than the translations of a handful of Eastern and Western European works that were supposedly for internal reference only, they slowly completed a major change in life, becoming in the process a more healthy force of the mainland intelligentsia in the 1980's.

If literature embodies the pursuit of man, great literature can come about even under centralized communist rule. This kind of literature also sheds light on the pursuit of eternity. It reveals for all to see the conflicts between man and society in this environment, the tragedy of human nature, and the price man pays for his conscience and ideals. Certainly, it takes courage and resolve to produce this kind of literature. The writer must be able to withstand the many forms of oppression, corrosion, and enslavement by the communist ideology, to the extent of sacrificing his own well-being and perhaps even his life. This is precisely the attribute of the current generation of Soviet writers. Without their suffering, their indomitable will, their efforts on behalf of the preservation of humanity, the Soviet Union could never have produced thaw literature, a great literature that transcends time and space. The glory of thaw literature is that it keeps alive and continues a great literary tradition and preserves the true pursuit of man. It has profoundly influenced not only contemporary Soviet society but also Soviet literature in the 1970's and 1980's, as well as the

pursuit of human rights, democracy, and ideals by the Soviet people. Face to face with such literature, how can we not overflow with respect? How can we not examine our conscience? To defend our timidity in front of such literature only proves our own insignificance.

The Thawing of Chinese Literature

Yet the same communist system, the same Marxist ideology has produced a very different literature and art on mainland China vis-a-vis that of the Soviet Union and Eastern Europe. Instead of ignoring it, we should think long and hard about this distinction.

The foremost distinction between the mainland, on the one hand, and the Soviet Union and Eastern Europe, on the other, is that there has simply been no genuinely creative art and literature on the mainland since 1949. Set aside our sentimental ties to modern writers and survey the scene from a historical perspective level-headedly, and we can see that just about all literary works of this era are the mark of shame of their creators, the very proof of their servility, the aid they have given to the tyrant to do evil, and their ignorance. Even those so-called artists who were denounced and persecuted because of infighting within the CPC could not hide this kind of shame.

Since 1949 everything on the mainland—literature, painting, music, movies—has been thoroughly ideologized. Just about every work became a form of propaganda publicizing the dogmatic principles of the communist ideology. The "theme first" rule did nothing more than give pride of place to a bunch of dogmatic principles. All human impulses were suppressed and stifled. An artist or writer might change his method of creation, choosing between realism and romanticism, but he must subordinate himself to the dogma. In the course of subordinating himself to the dogma, romanticism was looked upon less favorably than realism. Yet modernist art has never successfully found a foothold for itself in any communist nation because its core conflicts with the dogmatic principles. Not that the dogma is immutable, of course. In the 1950's, it was the Great Leap Forward and "socialism is good." In the 1960's, it was the anti-right tendency and class struggle. In the 1970's, it was "criticize Lin Biao [2651 1735] and Confucius" and the "Cultural Revolution is good." In the 1980's, it was reform and the open policy. While some principles are mutually contradictory, it does not mean that they are not ideologized works. Highly representative in this aspect are Zhang Yinliang [1728 6343 0081], the so-called famous mainland writer, and Xie Jin [6200 2516], the film director. Neither scar literature nor a majority of works of the 1980's which advocated reform and opening up basically broke free from this mold.

Existing side by side with this kind of propaganda were the subservience and shameless obsequiousness of writers and artists to the CPC and a handful of CPC leaders. Their ingratiation pervaded almost all their

so-called artistic works, their humanity and dignity utterly lost. They sang the praise of Mao Zedong and CPC in the 1950's and added Lin Biao and the Cultural Revolution to the list in the 1960's. In the 1970's they lauded Zhou Enlai and, in the 1980's, Deng Xiaoping and the reform faction. From writers who rode high such as Guo Meiruo [6753 3106 5387], Mao Dun [5403 4163], and Cao Yu [2580 4417] to those who were persecuted to death like Ding Ling [0002 3781], Tian Han [3944 3352] and Lao She [5071 5287], they all behaved in a revolting manner.

To explain this phenomenon, we need to do more than compare the relative brutality of different communist parties. This is because it is hard to prove who was more brutal, Stalin, Mao Zedong, or Deng Xiaoping. When good rises one foot, evil rises ten feet. Others say, when evil rises one foot, good rises ten feet. There are uniquely Chinese factors behind this phenomenon. I think the foremost reason is that the Chinese literary tradition is still highly fragile. Although it has produced a number of writers of a high caliber since the 1920's and 1930's, in overall qualitative and quantitative terms Chinese literature is no match for its Soviet and Eastern European counterparts. Judging from the way they deal with the pursuit of man at a deeper level from a modern angle, only a tiny handful of Chinese writers such as Lu Xun [7627 3065] are in the same league as great Russian writers with a pioneering spirit. The pain and impulses of the majority of writers are still not intense or profound enough. In a certain sense, the very fact that many intellectuals sided in the 1930's and 1940's points up their weak foundation. All this explains why the artistic and literary community utterly failed to stand up to bad Stalinist literature after 1949.

Another important reason the literary and artistic thought of Stalin, Zhdanov, and Mao Zedong managed to march straight into China and ride roughshod over it is that the older generation of intellectuals did not have a firm philosophy of life or moral values. Besides the writers mentioned above, also guilty were Zang Kejia [5258 0344 1367], Feng Xuefeng [7458 7185 1496] and even Wang Meng [3769 5536]. A tiniest handful of writers with the least bit of conscience either stopped writing or did some translation, there being no other choice. Even then they were criticized and persecuted to death. One example was Mr. Fu Lei [0265 7191]. The ideologization of literature on the mainland went totally unchallenged and true literature and the true pursuit of man almost vanished without a trace.

One of the most insidious consequences of the ideologization of literature is that it rendered almost two generations essentially ignorant of true literature. For three full decades, art and literature on the mainland were fully ideologized, people lost their ability to distinguish between truth and falsehood, good and evil, and all human impulses and pursuits were ideologized. Herein lies one reason why human nature on the mainland has been distorted, something which many people have found it hard to understand. A much-discussed topic in

recent years is the "impotence" of mainland intellectuals. In reality the problem with the current generation of writers and artists is "castration," not just "impotence." And this brings us to the second major distinction between the mainland and Eastern Europe: While the thawing of literature has produced a great thaw literature in Eastern Europe, the thawing of literature on the mainland only means that literature is being removed from politics and ideology and enters a transition to true literature.

The break from the intra-party line struggle and the pursuit of the liberation of man first began on the Democracy Wall at Xidan in Beijing in 1979. A handful of young literary and artistic workers represented by TODAY and the "Xingxing" art show introduced a breath of fresh air into China's literary world. A break was made with the past three decades and a new exploration was on. This process can be traced all the way to the early 1970's. At that time the CPC was playing tricks left and right with no attempt at all to cover up its deception. For their part, the writers were in the midst of their transition from adolescence, having gone through the frustration of being sent to work in the countryside and mountain areas. It was in that culturally barren era that they stumbled upon a host of translated works intended for internal criticism, the so-called "yellow books" and "grey books." (The covers of these titles were either yellow, in the case of works on art and literature, or grey, in the case of books on politics, economics, history, and philosophy.) Among them were modern Western classics by such writers as Sartre and Jia Miu [0502 6208] along with a large collection of so-called revisionist writings and other works of thaw literature from Eastern Europe. As they read and copied the new literature, the writers gradually found a new direction. It is undeniable of course that three decades of CPC education had left a deep scar and created many shortcomings that cannot be corrected.

Inherent Weaknesses Of Mainland Writers

Energized by the new literature, the world of letters on the mainland showed a trace of life in the early 1980's. However, except for a handful of works by some writers typified by TODAY, the so-called introspection writings remained ideologized. The only thing that had changed was the title. In sharp contrast to the thaw literature of the Soviet Union, which demonstrated an individualism, personal rebellion and the pursuit of the liberation of man, most works limited themselves to criticizing so-called bad elements in the party and waxed nostalgic for the other ideology of the CPC. This is true of many works celebrated in literary circles both at home and abroad, for example, "Mid-Life Crisis" by Chen Rong [6186 1369] and "Man, O Man" by Dai Houying [2071 0624 5391]. Mr. Bai Yang [2672 2799] praised Chen Rong's "Mid-Life Crisis" but a Polish writer read it and made this pertinent comment, "It is the communist party. Chen Rong wrote his novel the way he did to execute the CPC's current party policy on intellectuals." (Bai Yang, "Dueling Words," Linbai Chubanshe,

Taiwan, 1990, p 185) Another good example is Mr. Liu Binyan [0491 6333 7159]. Maybe we should say Mr. Liu Binyan is a better representative of this generation of writers. Let us just cite one instance to illustrate this generation's misunderstanding of literature. In the mid-1980's, Mr. Liu Binyan more than once criticized the pursuit by young writers of pure art, denouncing the anti-political tendency among young people and their literature-for-literature's-sake attitude and urging them to orient themselves to reality and society. His criticisms, we must say, were way off the mark. Literature for the sake of literature was precisely a sign of the loathing for and resistance to the politicization and ideologization of literature by the CPC. As such it presented progress. There is an essential difference between socially concerned writers, on the one hand, and politicians, propagandists, and agitators, on the other. Writers are interested in human concerns, in the human spirit and soul, at a deeper level. When the new literary tradition takes shape and finds its place into our hearts, every faction of the CPC would lose its appeal and every form of dictatorship and every kind of enslavement of humanity would run into stiff resistance. The bias of Liu Binyan and other writers of the older generation precisely reflect how the CPC has distorted the human spirit. What is said about Liu Binyan can be applied to Liu Zaifu [0491 0375 1788], the other well-known literary critic on the mainland. Despite his sharp verbal exchanges with conservative literary theorists and despite some new terminology, he had yet to make a clean break with the Marxist ideology, judging from his cooperative style of writing, his writing techniques, his line of reasoning, and his methods of verifying an argument. Be that as it may, we were overwhelmed with respect for them because they gave their heart and soul to the struggle with the conservatives. It was this internal vehement resistance, along with the open policy, that gradually gave rise to new true literary works. Through the cracks of intra-party struggles a new literature and true humanity slowly matured. The literary and artistic front, we should say, is the most promising territory for the mainland intelligentsia. In the late 1980's a healthy literary trend gradually took shape on the mainland. Nevertheless, because of the generation gap created by CPC rule and the inherent weaknesses of several generations, the new literature may not achieve overnight success. The eagerness for quick success and instant gains and the craving for the grandiose and pompous derived from a shallow foundation and parochial arrogance and self-righteousness, both the byproducts of CPC-imposed cultural isolation, continue to make themselves felt often, preventing people from facing the world honestly and examining themselves truly and deeply.

Even as the mainland began its pursuit of true art and literature starting in the mid-1980's, non-literary and non-artistic tendencies could be found everywhere. Imitation was omnipresent, from literary genre to the way a writer carried himself. There was no individuality, no real depth. You may say imitation is quite harmless; coupled with arrogance, however, it becomes downright

dangerous. This phenomenon pervaded the world of letters on the mainland in the 1980's. Zhang Zhengzhi [1728 2110 1807], for instance, imitated Aitematov but fell short. As for writers in the Wang Shuo [3769 2592] mold, the Soviet Union produced Aleksionov over 20 years ago. Those Chinese writers searching for their roots were imitating black American writers. "The person who writes expansively," a fashionable term used by Bai Hua [4101 2901] and others, was lifted from a line in the poem "Man" by the Soviet poet Meierlatelumu (phonetic), translated from Russian in the 1960's and published for internal circulation. Everybody was quietly influenced by it, even the style of the illustrations in the "Stepping Into the Future" series, but China could offer nothing that matches its profundity. As for people like Zhang Yinliang, they are still mired in ideology and formulism, still a long way from producing anything that resembles true literature. Whatever the mainland produces, we can say, others have produced a long time ago and of a higher quality too. Mr. Li Oufan [2621 2962 2753] hit the nail on the head when he said in late 1988, "We have yet to produce truly moving works. Look what happened elsewhere. The way Kundera, the exiled Czech writer, described the party and revolution in his fiction, the reportages by Norman Mailer, the American writer, during the Vietnam War... That sort of thing is still a no-no in China today. I have always argued that China does not lack the materials for great works. What it does lack is writers of insight, courage, conscience, and artistic talents. It all boils down to a question of vision and language.

The long years from the anti-right struggle to the Cultural Revolution and the shadow upon shadow it cast on the psychology of the Chinese people have left behind scars and, underneath them, guilt. The foibles and blemishes of the Chinese national character were fully revealed. Why hasn't a single writer so far laid bare this big scar thoroughly and mercilessly? Following the Holocaust, Jews produced countless literary works. Just about everyone of them both chronicled historical facts and delved into human feelings. In their soul-searching, the Chinese have not made their way back to the Cultural Revolution, instead just talking loosely about "feudal residues." To me that is escaping one's responsibility. China's traditional culture has its convoluted and dark aspects, but the new psychological residues created in the 30 years after liberation should not be allowed to take shelter behind something sweepingly called "feudalism and tradition." (JIUSHI NIANDAI, No 12, 1986, p 81)

These non-literary and non-artistic tendencies also exhibited themselves in music and movies. Since 1980, the musical world on the mainland has become increasingly interested in and even obsessed with their rankings in a variety of international musical competitions, both vocal and instrumental. In 1988 they even took out a whole-page ad on the back cover of the Chinese-language magazine ZHISHI FENZI published in the United States. In the ad they characterized a coming concert in the United States featuring mainland musicians as a

challenge by Chinese music to the West. This tendency worried none other than the great violinist, Yehudi Menuhin, who wrote to his Chinese friends, "The danger lies in trying too hard to develop top-notch musical talent of an international caliber too quickly. They want their musicians to excel the way their athletes overpower their opponents at international sporting events. But great musical performances are not like athletic competitions. Music is unique, individual. It cannot be quantified in terms of distance, speed, force, or weight. There can be no Olympic champion in music. Our goal is not to defeat others in world competitions, but to wholeheartedly demonstrate the art we have learned." Indeed, if music is not just a hobby but an echo of our pursuit of life, if we still remember great maestros such as Beethoven, then slogans like Chinese music is challenging the West is musical blasphemy.

Something similar is happening in the movie industry. From the beginning, the younger generation of directors such as Zhang Yimou [1728 3669 6180] has been driven precisely by a desire to win awards in international competitions. To the extent that this involves a departure from and resistance to past formalism and ideologization, it is not a bad thing; at a minimum it represents a big improvement upon those who stick to old ways and refuse to change. But in terms of art for art's sake, we think the spirit of an artist is missing from this generation of directors. So in just about every literary and artistic arena countless people are desperately searching for or resorting to new formats. Others make much of China's national conditions and customs, things not found elsewhere. But in philosophical and emotional intensity and scope, they still are a far cry from art and literature in Eastern Europe. We now have decent works and even prize-winning works, but we have yet to produce writers and works that really have depth. This is a fact of life today.

There is a mix of reasons why we have thus far failed to produce works and writers that have real depth. The foremost explanation is that we lack individuals who have an artist's spirit. In real life it is difficult to really hide oneself totally. Compare the works of mainland writers to those of their Eastern European counterparts like Havel and Kundera and the former always comes up short, whether we are looking at their portrayal of daily life, description of political turmoil, or their sheer powerfulness.

Another important reason why the mainland has not produced some truly profound works and writers is that Chinese writers have inherent weaknesses. The old educational system and cultural environment on the mainland predetermine their narrowness of vision and inadequate literary training. They lack a knowledge of history, a sense of history. They either have trouble understanding original philosophical texts or simply have never read them. They lack linguistic skills, whether Chinese or foreign, relying solely on translated works, which severely limits their access to other literary works and the nurturing derived therefrom. Given these

circumstances, they could not but find it hard to transcend their environment. This is another reason why the current generation of writers is no match for the generation of poets and writers represented by Xu Zhimo [1776 1807 2302], Dai Wangshu [2071 2598 5289], Shen Congwen [3088 1783 2429], and Lu Xun. In the era of the thaw literature, current Chinese writers perhaps need to go back to the 1930's to obtain a true understanding of the history of Chinese literature and art. We have no justifiable excuses but we do have shameful facts. We must start from ground zero in earnest.

Hong Kong Reporters' Situation Reported

94CM0067A Hong Kong CHIU-SHI NIEN-TAI [THE NINETIES] in Chinese No 11, 1 Nov 93 pp 37-39

[Text] The incident of Ming Pao reporter Hsi Yang took place after the incident of Kuai Pao reporter Liang Huimin in November 1992, and was another incident in which the arrest of a reporter led to strong repercussions.

Widespread Leaks by Small Newspapers

Whether or not Hsi Yang was really engaged in activity incompatible with his status as a reporter, and whether or not facts about the incident have been concealed, the outside world cannot know. But in all fairness, the "criminal evidence" revealed by the government about Hsi Yang is about two economic news items, which is very difficult to link to "national security" and "state secrets." Two of the "secrets" were fairly inconspicuous news items that appeared in Ming Pao in May and July and were said to be harmful to national security, which is very farfetched.

In recent years, one could say that news of the inner workings and so forth of many economic policies and reform measures, which have been far more sensitive than the above-mentioned news items, has spread far and wide. Many domestic publications, such as JINGJI CANKAO BAO, BEIFANG SHIBAO, ZUZHENG RENSHI BAO and other semi-official newspapers, have frequently revealed materials relating to economic reform policy, and even materials as politically sensitive as trade policy documents that have not yet been announced. These publications can be easily purchased by Hong Kong reporters or tourists who are visiting the mainland. Furthermore, amid international concern over human rights, national security departments should not take such drastic measures just because of a few lines that appeared in a Hong Kong publication a few months ago. However, how is it that another Hong Kong reporter has stepped on the "land mine" within less than a year? How is it that Communist China has again self-righteously and with criminal evidence in hand clubbed an outside reporter?

Internal Preventive Measures Have Been Strengthened

Last year, after the incident of the Kuai Pao reporter Liang Huimin, China's security and propaganda departments issued an internal memo. The memo severely

criticized and reprimanded party and government cadres at all levels who ignored the principles of national security and legality and provided opportunities for outside reporters to steal secrets during the historic reforms and opening up. It also reprimanded "a very small number of our own news media who sold state secrets for profit." As a result, Communist China's security departments clearly redefined the general policy on news gathering by outside reporters in China: "We must uphold reform and opening up and make friends far and wide, and facilitate normal news gathering work, and thereby actively provide guidance." However, we must also "strengthen limits and reduce negative effects," and, in particular, regarding those targeted by the security departments "we must mercilessly expose and attack the very small number of unscrupulous people (reporters) who steal state secrets and violate national laws." This internal memo instructs the national security enforcement divisions to "select suitable targets and select suitable methods" to "expose" the "illegal activities" of foreign reporters to "intimidate" outside reporters.

As an illustration of this memo, Beijing's public security department sentenced Xinhua reporter Wu Shisheng, a suspect in the Liang Huimin case, to life imprisonment, and sentenced Wu's wife, Ma Tao, to six months in prison. This case raised concerns in legal and media circles in China and abroad. This time, Xi Yang is another target under attack as an outside reporter who "acted improperly."

Restrictions Have Tightened, News Gathering Is Difficult

The mainland propaganda departments' emphasis on the "angle of the news" is in a nutshell: "Report only the good news; reporting of bad news is prohibited." If this is violated and the violation is light, you must be investigated and cleared; if it is serious, you lose your position and publication is stopped. This is fundamentally different from the "freedom of the press" enjoyed outside. When Hong Kong reporters go to the mainland, with the exception of hot news items, they all find ways to dig out their own "exclusives" or "inside sources" to meet the needs of commercial competition among publications. Therefore, there are inevitably people who "go too fast" or "apply too much energy" and violate the taboo. Furthermore, it is a fact that some people will pay a monetary price to get news. There is only a fine line between "news" and "intelligence." Therefore, it is difficult for outside reporters in China to avoid stepping on the "mine field."

There are other factors that make it difficult for Hong Kong reporters to gather news on the mainland. First, since the practice of giving news briefings began, all important news is announced through formal official channels, which therefore increases the transparency of the news. Second, widespread trade and commercial activities have led to the dissemination abroad, through

various channels, of social news from all over the mainland. As a result, in recent years the reports in the Hong Kong and Taiwan media concerning mainland social problems have been numerous and detailed. Third, since 1990, the burgeoning "corps of writers" in Beijing, Shanghai and other large cities who work for outside publications are mostly active persons with many sources of information. The rumors and gossip they hear rival the special reports of reporters.

All of these factors undoubtedly create pressure on the reporters and media members from abroad. They compete within their profession using only standard news gathering methods. Therefore, they must resort to developing their own sources of information. News gathering is not only tedious and exhausting, but you cannot limit your means or your price to gather news. Those in the media cannot deny this point.

Developing New Sources of News

Xi Yang, a native of Beijing, is a new immigrant who obtained a one-way permit to Hong Kong in the late 1980s. As a person with a mainland background gathering news from the mainland, Xi Yang was not a rarity. In fact, there are quite a few reporters with mainland backgrounds who are on the mainland under various pretexts carrying out news gathering activities without official permission. This has created an amusing result: If you openly apply to gather news on the mainland, your results are limited, whereas working in private, under the guise of visiting relatives, sightseeing and visiting friends, you can get impressive results. This is the reason that some news media are happy to hire as reporters people in Hong Kong who are originally from the mainland. When they return to the mainland to gather news, they get twice the results with half the work compared to those born and raised in Hong Kong who go to the mainland.

Hong Kong reporters who return to visit relatives or friends on the mainland can find, either intentionally or unintentionally, all kinds of sources of newsworthy materials.

First, by widely contacting relatives, old schoolmates and former colleagues, they can learn different views and gather different news from different levels of society and different professions, and this is very helpful in portraying certain political incidents and major social activities.

Second, by choosing friends who hold leading positions or sensitive jobs and by establishing personal relations, they can have more direct access to news or more direct access to people in high positions. In recent years, there have been frequent news disclosures about previously unrevealed places on the mainland, such as prisons and labor camps, and many of these disclosures have been made possible by opportunities to interview and photograph through private channels.

Third, reporters visiting relatives and friends on the mainland will inevitably have money and exchange goods, gifts or banquets, which used to be considered normal relations. Mainland cadres often make material demands on friends from abroad, and often give materials or internal information in exchange.

Whether international or unintentional, once a "leaking situation" is exposed, these activities by outside reporters inevitably become "criminal evidence" used by the public security and public safety departments. Normal banquets and gifts can become evidence of "bribery," and conversations between friends can become "spying." The reason why the Xi Yang incident has aroused the attention and concern of the Hong Kong media is that the public security departments have not made very definite and detailed announcements, and their charges are murky. Concerned department should clearly define the difference between "secrets" and "news."

Reducing Levels of Secrecy; Outside Is Relaxed, Inside Is Tight

At the beginning of this year, the National Security Bureau decided to carry out necessary reforms of the national security system to meet the needs of the economic reforms. Hundreds of thousands of secret documents from central to local governments were declassified, and they redefined the standards of security classification. This was publicized in the official weekly *Liaowang*, and the article emphasized that "even though secrecy classification has been reduced, the maintenance of secrecy must be further reinforced."

The main target of this prevention of leaks is outside reporters. The State Council's memos concerning "Reinforcing the Management of Foreign Reporters" and the "Regulations Governing Foreign Reporters and Foreign News Organizations" were disseminated to the county and regiment levels, requiring leaders at all levels to comply. There are clear guidelines regarding the approval of applications by foreign reporters to visit, and regarding which groups of applicants must be refused. In addition, the documents require that the receiving unit must "provide designated guides throughout the entire visit," that information on all activities of foreign reporters must be gathered, and that the management of outside reporters should be "relaxed on the outside, tight on the inside." Any foreign reporters singled out by security departments and placed on a blacklist will be put under the "supervision" of the security departments from the time they enter China, and all their activities and contacts will be recorded. The eyes and ears of the security departments are everywhere. They might be service workers in the hotels, they might be officials of community organizations and they could be your mainland counterparts who are working alongside you.

A worker in the Guangzhou customs office admitted that because there is no comprehensive computer network, there are large holes in the information about incoming

reporters. Aside from a few people who are on the security department's blacklist, ordinary incoming reporters usually are not easily controlled by the State Security Bureau. Furthermore, more and more points of entry are being opened up on the mainland, and concerned departments cannot in a timely fashion monitor incoming reporters' activities. But as soon as you step on the "land mine," you become a new target.

A Planned Crackdown on the Hong Kong Media

It is naive to think that after 1997 the freedom of the press in Hong Kong will not be interfered with by Communist China or the government of the special zone. As everyone knows, Beijing has already done extensive studies of the Hong Kong media in preparation for formulating policies governing Hong Kong's news media and the arts, and to provide materials to take over the arena of public opinion in Hong Kong. In the late transitional stage, the general direction of the propaganda is to "maintain a foothold in two newspapers, expand the base, unite the struggle and attack key targets." The so-called "two newspapers" are *Wen Wei Po* and *Ta Kung Pao*. "Expand the base" refers to a number of officially colored publications continuously published by Communist China in Hong Kong, such as *Zi Jing*, *Zhonghua Wenzhe*, *Gangao Dongtai* and so forth, which are put out at great expense. "Attack key targets" refers to the abovementioned memos' "select opportune moments, select suitable targets and select suitable methods" to make a "frightening attack."

The Xi Yang incident happened during the national security conference, and the prevention of secret-stealing by foreign reporters was originally one of the key topics of the conference. Therefore, the choice of Xi Yang as a target was very well-timed, and the so-called "state secrets" and the fact that "an open hearing could not be conducted" were merely bargaining chips in the hands of the government. After *Kuai Pao*, *Ming Pao* became another target of punishment.

In the 3d plenary session of the 7th National People's Congress, the criminal code was amended to increase the penalty for stealing national secrets, from under five years in prison to death. Liang Huimin of *Kuai Pao* could have been given a heavy sentence, but was magnanimously released. This shows that criminal justice is a bargaining chip in the hands of Communist China.

After the Xi Yang incident, this writer made inquiries to friends in Beijing several times. An official of the city public security department who understands the case refused to comment on the facts of the case, but one sentence revealed all: "It mainly depends on the attitude of the person." From this we can conclude that the official statement saying that Xi Yang has already "freely admitted the stealing of secrets," and that the *Ming Pao* chief's attitude changed from "firmly believing in Xi Yang's innocence" to a reversal on 10 October that clearly admitted Xi Yang's "mistaken" violation of the law, and an expression of regret, indicate

that Communist China can deal with this case using the Liang Huimin model at any time, and the entire incident can be resolved. Whatever happens, it not only resulted in the effect of "killing the chicken to scare the monkey," but it was also one strike against Ming Pao. Therefore,

the national security department is apparently the winner, and is also able to avoid criticism from overseas on the basis of human rights.

The question is, whose turn is it next time?

Reaction to Patten's 2d Policy Speech, Talks

94CM0088B Hong Kong TANGTAI

[CONTEMPORARY] in Chinese No 31, 15 Oct 93 p 6

[Article by Magazine Editorial Department: "Public Opinion Poll Sponsored by Magazine Revealed Patten's Policy Speech Fairly Well Accepted"]

[Excerpt] According to a public opinion poll sponsored by this magazine, a majority of Hong Kong residents considered Patten's second policy speech fairly acceptable. The proportion of those who were generally satisfied with the speech exceeded the proportion of dissatisfied. [passage omitted]

One-third of those interviewed felt that the Patten's speech should be helpful to the Sino-British talks later, and only one-fifth of the sample felt that it would not help these talks later.

Three-tenths of those interviewed considered that Britain had made some concessions under pressure from the PRC, but there was also one-quarter of the sample who did not feel that concessions had been made.

One of the major concession Britain can make would be reducing the number of persons elected on a functionally differentiated basis. Close to four-tenths of the respondents felt that Patten should not make such a concession, but there was also one-quarter who felt that he should so concede.

As for Patten's insistence that there should be objective criteria for the through train issue, more than one-half of those interviewed expressed concurrence.

But, with regard to the fact that Patten did not spell out his political reform proposals in this policy speech, a majority of those interviewed were indifferent, and only around one-third of the sample expressed dissatisfaction over this point.

The following are the responses to the questions by the Hong Kong residents interviewed in the sample.

1. Generally speaking, are you satisfied or dissatisfied with the policy speech Patten made today?

Response:	Satisfied	Dissatisfied	Half-Half	Total
No. Respondents:	147	64	270	481
Percent:	30	13	56	100

2. Are You Satisfied With the Fact Patten Did Not Submit His Political Reform Proposals?

Response:	Satisfied	Dissatisfied	Doesn't Matter	Total
No. Respondents:	99	152	230	481
Percent:	20	32	48	100

3. In Today's Policy Speech, Do You Feel That Britain Has or Has Not Made Concessions to China?

Response:	Has Made Concessions	Has Not	Not Sure	Total
No. Respondents:	146	121	214	481
Percent:	30	25	44	100

4. Do You Think That Patten Should or Should Not Still Insist on [Having] Objective Criteria for the Through Train?

Response:	Should Insist	Should not	Don't Know	Total
No. Respondents:	271	79	131	481
Percent:	56	16	27	100

5. Patten Has Suggested Reducing the Number of Electors in the Functionally Differentiated Categories, Do You Feel He Should Do So or Not?

Response:	Should Do So	Should Not	Don't know	Total
No. Respondents:	123	186	172	481
Percent:	26	39	36	100

6. Do You Feel That Patten's Policy Speech Today Will Help the Sino-British Talks Later?

Response:	Will Help	Will Not Help	No Opinion	Total
No. Respondents:	165	98	218	481
Percent:	34	20	44	100

Post-3d Plenary Session Economic Prospects Viewed

94CE0189A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 44,
15 Nov 93 pp 3-4

[Article by Zhou Wei (0719 4850): "Third Plenary Session Gets Favorable Reviews in Hong Kong"]

[Text] The 3d Plenary Session of the 14th CPC Central Committee was held in Beijing on 11 November as the whole world watched. The Hong Kong economy is so intimately linked to its Chinese counterpart that they sink or swim together. Moreover, the meeting took place as the fast-growing Chinese economy successfully pulled off a "soft-landing," meaning that it has been able to grow rapidly yet steadily. Economic reform in China too has been enormously successful and is about to enter the most critical phase, which will be a shot in the arm for the Hong Kong economy. For all these reasons, the meeting naturally attracted the utmost interest in Hong Kong. During the past month, the Hong Kong media printed article after article on the convening of the 3d

Plenary Session, analyzing, discussing, and speculating on what new measures the Chinese would take to develop the market economy and deepen reform.

An Immensely Significant Document

It is widely agreed in Hong Kong's economic and theoretical circles and among people in the media that the plenary session was being held at an opportune time. The "Decision on Certain Issues Relating to the Establishment of a Socialist Market Economy," which was discussed at the meeting, is an enormously significant programmatic document. It offers a penetrating analysis and clear exposition of a string of important ideological and theoretical issues relating to the development of the Chinese economy and the deepening of reform in the next stage. It achieves a consensus and lays down important decisions on how to create a basic framework for a socialist market economy by zeroing in on the essential areas. It will certainly push economic development to a new high, the most basic guarantee of the long-term and steady development of the Hong Kong economy and its prosperity.

To establish a socialist market economy, the 3d Plenary Session called for the deepening of reform in a wide range of areas, including banking, financial administration and taxation, investment, foreign trade, state enterprises, social security, agriculture, and scientific and technical education. Essentially it will include, first of all, the reform of the microeconomy, specifically changing the operating mechanism of state enterprises and establishing a modern enterprise system. Second, it involves reforming, nurturing, and developing the market system, particularly the acceleration of the maturation and perfection of the capital goods market. Third, it involves reform at the level of macroeconomic regulation and control, specifically changing government functions and establishing a macroeconomic regulatory and control system for these sectors: banking, finance, prices, investment, foreign exchange, and social security. For the moment the most important and urgent thing is to achieve a breakthrough in banking and financial and tax administration by creating a new banking and tax system and operating mechanism. The reason is that "banking is the lifeblood of the market economy" while financial administration and taxation directly determine the ability of the central government to regulate and control the macroeconomy.

The local media are fully aware of the enormous effort that has gone into the deliberations over and drafting of this document. We can be quite sure it is the distillation of the experiences of 15 years of reform and the wisdom of people of all quarters, starting with Deng Xiaoping's reform philosophy. CPC leaders personally conducted numerous studies and surveys in various locations, carried out ideological work at the local level, and repeatedly spoke publicly about his thought and his ideas on deepening reform. The 3d Plenary Session was preceded by the publication of the Volume 3 of *Selected Works of*

Deng Xiaoping, which provided full ideological preparation for the drafting of the programmatic document. Public opinion too was fully prepared for what the document would include. During the drafting process, the opinions of high-ranking figures both inside and outside the party were solicited again and again in hopes of reaching a consensus. It went through 10 drafts in all. For these reasons, the document is highly practicable and theoretical. It is a programmatic document on modern Chinese construction, its place in history comparable to that of the "Decision on Economic Reform" adopted by the 3d Plenary Session of the 12th CPC Central Committee in 1984.

Economic Development Both Rapid and Stable

On the eve of the 3d Plenary Session, numerous newspapers in Hong Kong printed "Highlights of Deng Xiaoping's Speeches Delivered in Wuchang, Shenzhen, Zhuhai, and Shanghai" in early 1992. Deng Xiaoping emphasized in his speeches that "development is the only way to go." "Grasp the opportunity; develop ourselves." "The key is economic development." "Don't stand in the way of places which are capable of development." "Places where conditions are ripe should try to develop a little faster." The media consider all this of profound importance as it further unifies public understanding of the issue of growth rate and determines the direction in which China should move forward. Besides, it has been a big morale booster to the people of Hong Kong. At a time when Sino-British political talks have yet to produce an agreement and China is tightening macroeconomic regulation and control in an effort to cool the economy, Hong Kong investments in the mainland continue to rise and U.S. and Japanese capital keeps flowing into Hong Kong in large quantities in preparation for the big push into China, in the process driving up share prices sharply on the Hong Kong stock market. The media take this as a vote of confidence in the Chinese economy, a sign that the Chinese economy will continue its fast growth after the 3d Plenary Session, its prospects getting more and more attractive.

Even as they are convinced of fast economic growth ahead for China, some local scholars note that the number one issue facing China today is stability. Economic growth must be stable as well as fast; only stable growth can be true, fast growth. Will the Chinese economy become overheated again in the future? Will the scale of investment expand mindlessly again? Will there be an upsurge in inflation? These problems concern them. They believe that as long as China does not have an effective restraining mechanism and risk mechanism, their recurrence is inevitable. Hence the overriding importance of maintaining economic stability. Some scholars even argue that an annual growth rate of 7 or 8 percent is good enough and that China should not pursue double-digit growth in order to steer clear of the boom-and-bust cycle and the resultant heavy losses.

Earlier some people portrayed macroeconomic regulation and control and accelerated development, even accelerated reform, as mutually exclusive. They would have you

believe that it was a mistake to tighten macroeconomic regulation and control. Many local experts do not share this point of view because, first of all, macroeconomic regulation and control can be found in all countries that have a market economy. Since China is in the midst of a transition from the old economic system to the new, the need for macroeconomic regulation and control is even greater. Second, macroeconomic regulation and control has indeed been highly effective. Had the government not imposed the earlier round of controls, instead allowing the financial sector to drift into chaos, inflation to worsen, and the exchange rate to plunge, both economic development and the effort to deepen reform would have been badly hindered. Thirdly, China's top priority now is to carry through with macroeconomic regulation and control to hold down inflation, trim the trade deficit, improve the economic structure, and boost government revenue, thus setting the stage for the continuous development of the economy and the deepening of reform.

It Takes Time To Establish Market Economy

The local economic and theoretical circles are highly hopeful that the 3d Plenary Session of the 14th CPC Central Committee would bring about a breakthrough in economic reform. Economic structural reform in the last 15 years has been a huge success and laid a solid foundation, thanks to incremental reform of the past. The practice of advancing gradually and steadily is consistent with China's national conditions. In rural reform, in particular, spectacular breakthroughs have been made in price reform and opening to the outside world. Some scholars describe past reform as following a "roundabout strategy" and argue that it has been limited to matters of "secondary" importance. Not true in fact. Take price reform, for instance. You cannot say it is "secondary." Price reform, a big success story of the past few years, has always been billed as the "key" to successful reform. Today, we may say, the "fortress" of price reform has been captured. In the next stage of reform, we must launch an offensive against the other "fortresses" of the planned economy in an effort to create a full-fledged market economy.

Be that as it may, some Hong Kong scholars have some misgivings about "accelerated reform." Would "targeted breakthrough" become "shock therapy?" While acceleration is necessary, they believe, we must not go after instant success. The reason is that China will find the pain of radical change unbearable. Once things get out of hand, the consequences will be catastrophic. A market economy cannot materialize overnight; it takes a lengthy process of maturation, growth, and improvement. Other scholars argue that 15 years of reform have given us a wealth of experience and the national economy has developed to a point where it can withstand a good deal of stress. In the future, when it comes to reform we should move quickly whenever possible. The idea is to bring about a change with one move in order to reduce the conflicts that occur as the old order gives way to the new and the resultant losses.

Needless to say, wherever quick action is impossible, we must stick to the incremental approach and carry out reform step by step.

Work Hard To Develop Primary Industries

The People's Bank of China announced recently that because macroeconomic regulation and control has gone well, the state of banking in China has improved and is gradually returning to normal. This is good news to the people of Hong Kong because it suggests a Chinese economy that is growing rapidly, steadily, and healthily, creating a favorable climate for Hong Kong to invest in the mainland and bolster its imports and exports.

Structural imbalances, Jiang Zemin [3068 3419 3046] pointed out recently, are one of the major barriers to accelerating the Chinese economy. It is the hope of the Hong Kong economic community that in the days ahead China will make the correction of structural imbalances its top economic priority by concentrating its energies on the development of primary industries and the infrastructure, expediting the development of the transportation, communications, telecommunications, and energy industries and other important raw material industries, and easing the "bottlenecks" in economic development in order to better the foreign investment climate. The Chinese Government has decided to abolish over 2,700 development zones, which means that we will still have about 500 national- and provincial-level development zones, still too many. The number should be further scaled back so that whatever funds available can be concentrated on and put to better use in developing a number of key development zones, thus making the investment pay off sooner. A few days ago the Chinese Government approved 54 new major large-scale projects in the "bottleneck" industries. They will be a big boost to the economy.

Speed Up Lawmaking for Market Economy

As local experts see it, the market economy is an economy of laws based on highly competitive commodity production and commodity exchange. Inevitably it is accompanied by haphazardness, social injustice, and other maladies. Even more so than the planned economy, therefore, the market economy needs to be guided, regularized, safeguarded, and disciplined by a sound legal system. The Hong Kong economy is a well-developed market economy as well as an economy solidly based on laws, the product of a lengthy and gradual development process. In this sense Hong Kong offers a model that China can emulate as it develops a market economy.

Some Hong Kong scholars take pains to point out that a market economy is no panacea. It is wrong to make a fetish of the planned economy, of course, but it is just as wrong to have blind faith in the market economy. The emphasis by the 3d Plenary Session of the 14th CPC Central Committee on the accelerated development of a legal system is both necessary and timely from the perspective of building a socialist market economy vigorously but cautiously.

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